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China Report

ECONOMIC AFFAIRS

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19 MARCH 1987

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

YOUNG ECONOMISTS COMBINE MARXISM, WESTERN THEORIES

OW131428 Beijing XINHUA in English 1117 GMT 13 Jan 87

[Text] Beijing, 13 Jan (XINHUA)--As economists serving in a state council institution, Tian Yuan, 32, and his young colleagues are not only well trained in Marxist theory of a planned economy, they also keep abreast of current Western economic theories.

That enables them to make suggestions for establishing a new economic pattern that suits conditions in China.

Tian wore black rimmed glasses and spoke with prudence and calm. Three years ago he was a promising postgraduate majoring in theories of socialist commodity economy in Wuhan University. Now he is an important figure in China's current reform of the pricing system.

He told XINHUA that many of his fellow postgraduates who majored in economics are now working in central government departments and participating in developing policies for economic reform.

They are young and unknown to most people, but China's state leaders listen to their suggestions and advance before making major policy decision, organization department officials said.

Tian and his colleagues are outstanding and lucky, yet they are not the only young people who have superior talents and jobs, they said, adding that more than 460,000 people of the same generation have risen to the top to become provincial, city or county leaders or directors or managers of enterprises in the past three years.

"They have formed a spectacular force in China's economic and political arena," they stressed.

Among these young leaders, 60 percent are college graduates. Wei Jianxing, head of the organization department under the Chinese Communist Party Central Committee, said that most young leaders "have acquired book knowledge and the ability to solve problems with the knowledge they have learned."

To Tian Yuan and his colleagues, the theories of market economy, which used to be regarded as a "forbidden zone," can be used by China in establishing

its own economic system. He is eager to help establish a new theory of socialist economy.

Another talented young decision maker is 31-year-old Guo Fansheng. As one of the long-term planners for the Inner Mongolia Autonomous Region, Guo is a college graduate of economic theory.

"Inner Mongola covers an area of 1.2 million square kilometers and has a population of 20 million, equal to a medium-sized European country," he said, "now we nine young people are supposed to make plans for its long-term development. The oldest among us is 32 and the youngest, only 26."

He and his group members have offered the autonomous regional government over 100 treatises and published two-million-word economic works.

Guo has lived in Inner Mongola for more than a decade. He believed that "China's modernization cannot be achieved unless the western part of the country is developed."

The western part of China covers 60 percent of the country's total area including Inner Mongola and ten other provinces and autonomous regions. "Only by strengthening cooperation between the eastern and western parts and by promoting their mutual support, can China achieve faster progress," he said.

Unlike Tian Yuan and Guo Fansheng, young enterprise directors and managers are better known as they stand in the forefront of economic reform and construction.

Zhao Yuji, 32, vice chairman of the board of directors of the Capital Iron and Steel Complex in the western suburbs of Beijing, has been working in the 120,000-member complex for 15 years. He began his career as a worker, then a group leader, and has accumulated much experience in his work.

In his sparetime, he completed university management courses and developed his own ideas about management. He believes "the speedy development of an enterprise depends on its leaders' ability to bring every positive factor into play and put into practice a strict management system."

He carried out his ideas and achieved good results: under his guidance the complex started to install a complete set of steel-smelting equipment with an annual capacity of three-million-tons last May and had completed 80 percent of the installment at the end of the year. A wire rod factory with two production lines began to be constructed last June and has been put into operation now.

Zhao told XINHUA that he is trying to learn more about basic construction and new management methods from engineers and books, but his aim is to become a more qualified enterprise leader.

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CSO: 4020/113

NATIONAL AFFAIRS, POLICY

JINGJI RIBAO CRITICIZES 'HIGH CONSUMPTION'

HK290950 Beijing JINGJI RIBAO in Chinese 21 Jan 87 p 1

[Commentator's article: "Do Not Whet People's Appetite With 'High Consumption'"]

[Text] Arduous struggle and building the country with diligence and thrift was a guiding principle established by the party in the early post-liberation period. Why should it be particularly emphasized now? Because in the current good economic situation, the concept of arduous struggle has weakened among many comrades, and some even hold that there is no need to act in this fashion. One of the main expressions of this is onesided pursuit of "high consumption" divorced from the national condition.

In recent years, our country has abandoned its traditional practice of attaching much importance to accumulation and little to consumption and onesidedly pursuing a high growth rate, and has started to embark on a path of relatively realistic growth, relatively good economic results, and more tangible benefit for the people. Satisfying the people's consumption needs has been raised to the plane of the goal of socialist production. The main proportional relationships in the national economy have been gradually harmonized, economic results have improved somewhat, all sectors and trades have developed prosperously, and there has been a marked improvement in living standards. In these circumstances, some comrades have failed to pay sufficient attention to the objective law that the level of consumption must be commensurate with the level of production development, and have gone from high accumulation--on extreme--to excessive consumption--another extreme. For a time, there was a heady atmosphere of propaganda for "high consumption," and the masses' "appetite" was greatly whetted amid the atmosphere of "advocating consumption" and "encouraging consumption." The desire for "high consumption" was stimulated very strongly, as if our country were already very rich. Many places have gone in for extravagance and ostentation. Many households, heedless of whether their economic conditions permit it, have sought high standards in their daily life and vied with each other in buying expensive consumer goods. Weddings have been lavish affairs, and the scale of giving banquets and presenting gifts is getting bigger and bigger.... We should know that even in the developed countries of the West, not everyone can enjoy certain expensive goods; and our country is still very poor. There is no way that everyone here can have such goods!

This consumption lead exceeds China's current economic development level and the masses' income level, and results in a swelling growth of consumption funds. According to figures released by the State Statistics Bureau, in 1984 and 1985 the actual income of urban and rural residents still showed relatively great growth following several years of marked growth, and exceed the growth in national income and in social labor productivity during the same period. If workers' wages rise more than social labor productivity over a given period, this will increase enterprise production costs, and certain enterprises, to avoid having their profits reduced, will resort to negotiated prices and similar methods to raise the ex-factory prices of their goods, with the ultimate result that the goods become extremely expensive. Swelling consumption demands will also spur the enterprises to one-sidedly pursue high output and to neglect improving quality, and it may even happen that certain backward, non-selling products will pour into the markets. The consumption lead will also put very great pressure on the people's living standards. As people's income levels are by no means high, the desire for "high consumption" is very strong, and existing conditions cannot satisfy such an excessive demand, the result is bound to be discontent. Such a state of mind is not beneficial for stability and unity. It is evident from this that blind "high consumption" is not a good phenomenon but a menace. At present, we must gain a fresh understanding of this issue and we must vigorously compress the "atmosphere" of swelling consumption.

China has a population of 1 billion, including 800 million peasants. Very great changes have taken place in our economic conditions since the 3d Plenary Session of the 11th CPC Central Committee. However, at present, our standard of production technology and labor productivity is rather low, and this is something that cannot be completely changed soon. Even after accomplishing the great goal set by the 12th Party Congress of quadrupling industrial and agricultural output value by the year 2000, our people will only have reached a comfortably well-off standard of living, and the efforts of several generations will be required before we can build a highly modernized socialist country and catch up with or exceed advanced countries. The task is heavy and the road long, and even when China joins the ranks of the advanced in the world, we should still not pursue so-called "welfare-style" "high consumption." The economic structural reform we are now carrying out is fundamentally aimed at developing the productive forces to make the country rich and strong and the people well-off. However, reform is an arduous revolution and a gradual process; we cannot and should not demand right away that every reform will give marked material benefit to every member of society. Some reforms even require the sacrifice of certain interests by certain people. Both from the angle of long-term national construction and of the requirements of reform, it is necessary to carry forward the glorious tradition of arduous struggle and building the country with hard work and thrift. We must have a clear understanding on this point from now on and translate it into practical action.

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NATIONAL AFFAIRS, POLICY

JINGJI RIBAO REPORTS ON FIXED ASSET INVESTMENT

OW151358 Beijing XINHUA in English 1240 GMT 15 Dec 86

[Text] Beijing, 15 December (XINHUA)--In the past decade, notable changes have taken place in China's state-owned enterprises fixed asset investment, today's ECONOMIC DAILY reported.

These enterprises have invested a total of 242.6 billion yuan (US\$65.6 billion) in non-production related construction such as residential buildings. This figure triples the last decade's figure and the investment proportion has grown to 30.4 percent, up from 18.7 percent during the last ten years, the paper said.

Investment in residential buildings alone has totaled 118.2 billion yuan (US\$31.9 billion), six times as much as the last decade's. Urban residents per capita had an average of 6.66 square meters of living space in 1985, a 26.4 percent increase over 1981.

Construction investment in public service facilities has totalled 109.2 billion yuan (US\$29.5 billion), the paper added.

During the past decade, state-owned enterprises invested a total of 85.9 billion yuan (US\$23.2 billion) in light industry, tripling the figure for the previous decade, and the ratio between light and heavy industries has also been adjusted upward.

During the recent ten years, additional investment by these enterprises in energy, transport and post and telecommunications has reached 268.2 billion yuan (US\$72.5 billion), nearly tripling that of the last decade, according to the paper.

Since 1982, the state has designated 126 key projects for energy, transport and post and telecommunications, making up over half the total of all key projects, the paper said.

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CSO: 4020/111

NATIONAL AFFAIRS, POLICY

SOCIALIST ECONOMY IN INITIAL STAGE EXAMINED

HK020611 Beijing JINGJIXUE ZHOUBAO in Chinese 14 Dec 86 p 2

[Article by Yu Guangyuan (0060 0342 6678): "Economy in the Initial Stage of Socialism--Summary of the 11th Lecture on the Problems of Socialist Political Economy"]

[Text] 1. Proposing the Term "Initial Stage of Socialism"

This term was first used in "Resolutions on Certain Questions in the History of Our Party Since the Founding of the PRC" adopted in June 1981, and mentioned again in Hu Yaobang's report delivered at the 12th CPC National Congress in August 1982, and sufficiently emphasized in the "Resolution on the Guiding Principles for Building Socialist Spiritual Civilization." It is the most concise expression indicating the present stage of socialist development in China. With regard to the characteristics of productive forces in the initial stage of socialism, the report delivered at the 12th CPC National Congress stresses that they are "poorly developed in terms of material civilization." As far as production relations are concerned, the resolution on material civilization points out that in the initial stage of socialism, "we must not only apply the principle of distribution according to work, but also develop the socialist commodity economy and competition. Furthermore, for a long time to come, we must develop varied sectors of the economy, always ensuring the dominant position of the public sector. We shall encourage some of the people to become prosperous first under the aim of common prosperity." Here, "applying the principle of distribution according to work" and "developing the socialist commodity economy and competition," which are inserted between "not only" and "but also," are the characteristics of the entire socialist stage differentiating the initial from the advanced stage of communism. After the 6th Plenary Session of the 12th CPC Central Committee, people have begun showing concern for, and paying attention to, this term--the initial stage of socialism.

2. Coexistence of the Initial Stage of Socialism and Varied Sectors of the Economy

"Developing varied sectors of the economy by ensuring the dominant position of the public sector" means that in the initial stage of socialism, the

public sector of the economy, which occupies a dominant position, coexists with other nonpublic sectors of the economy which do not acquire a dominant position.

The "varied sectors of the economy" mentioned in the resolution adopted by the 6th Plenary Session of the 12th CPC Central Committee is different from "diverse economic forms" and "diverse ownership forms" occurring in Comrade Hu Yaobang's reports delivered at the 12th CPC National Congress, the decision of the 3d Plenary Session of the 12th CPC Central Committee, and in Comrade Zhao Ziyang's report on the Seventh 5-Year Plan. "Diverse economic forms" means that apart from developing the socialist state-operated economy, we should also develop the socialist collective and cooperative economies. Of course, we should also develop the individual economy, and "diverse ownership forms" generally means this. Varied sectors of the economy refers to the coexistence between the public and nonpublic sectors of the economy. At the 3d Plenary Session of the 11th CPC Central Committee, the idea of varied sectors of the economy was contained in the wording of opening up to the outside world and enlivening the domestic economy. It is only in the documents of the 6th Plenary Session of the 12th CPC Central Committee that the term varied sectors of the economy is definitely expressed.

Of course, before the founding of the People's Republic, we used the concept of "diverse economic forms" when talking about the economy in the base area. During the historical period from the founding of the People's Republic up to 1956, we frequently mentioned the coexistence of varied sectors of the economy. However, after the socialist transformation of the private means of production in China in 1956, the situation changed. During a period of over 20 years from 1957 to 1978, our country pursued a socialist unitary economy, and no varied sectors of the economy coexisted any longer. Practice has proved that such unitary public economy does not conform with the Chinese national conditions at the present stage. Of course, there were many reasons contributing to our country's economic stagnation in the more than 20 years since 1957. The unitary public economy, which does not conform with our country's national conditions at the present stage, was one of the important reasons. Since the 3d Plenary Session of the 11th CPC Central Committee, we have been implementing a policy of opening up to the outside world, and enlivening the domestic economy. The problem of the coexistence of varied sectors of the economy has appeared again on China's historical scene. Study of the problem of the coexistence of varied sectors of the economy has also occurred in China's theoretical study field.

Such a fact has existed and has been developed for several years. However, it was not definitely affirmed in the documents issued by the central authorities until the 6th Plenary Session of the 12th CPC Central Committee. The reason was that after 1956 our varied sectors of the economy had been turned into a unitary socialist economy, and that acknowledging varied sectors of the economy was regarded as historical retrogression, retrogression to the period of socialist transformation, or even to the period of the new democratic society. The wording of varied sectors of the economy was eventually defined in a clearer way in the resolution by the 6th Plenary Session of the 12th CPC Central Committee.

What nonpublic economic sectors have been included in the initial stage of socialism? They are no more than individual economy, capitalist economy run by natives, capitalist economy run by foreigners in China, and so on. This seems to be a general view. However, after studying it carefully, we discover that it is not as simple as we formerly thought. It is because an analysis of the nature of a kind of economic sector will involve our understanding Marxist economic theories, and methodology problems. I believe that we should judge the nature of a certain kind of nonpublic economic sector from its internal relations, and that its external relations will enable it to play a decisive role in determining the position and functions of other nonpublic economic sectors in a certain society. I think that such a method for viewing things does not conflict with the Marxist view on judging the nature of private ownership. Of course, some complicated problems involved here need to be studied, and the connected methodology problems further studied.

There is a question here which should be answered: What is the difference between the coexistence of varied sectors of the economy in the initial stage of socialism, and the coexistence of varied sectors of the economy during the transitional period? To answer this question, we should clearly state the difference between the transitional period and the initial stage of socialism, and explicitly explain the different positions and different historical fate of the public and nonpublic economy in the transitional period and in the initial stage of socialism.

3. The Initial Stage of Socialism and Those Who Become Prosperous First

Letting some of the people become prosperous first is a characteristic of the initial stage of socialism. Because of the implementation of the principle of distribution according to work, some people in society have become more prosperous than others. Furthermore, the incomes of some portions of people markedly differ from others, and the difference is too big to be governed by the principle of distribution according to work. This marks not only recognition of the principle of "distribution according to owning the means of production," but also recognition of the principle of "distribution according to ability" and the principle of distribution linking with commodity economy, and development of the varied sectors of the economy. If we do not allow some people to become prosperous first, there will be no motive force for the development of commodity economy, and varied economic sectors. Therefore, promoting their development will become meaningless. If we fail to recognize the necessity of developing commodity economy and varied sectors of the economy, it is impossible for some of the people to become prosperous first. However, the initial stage of socialism is an elementary stage, and the principle of distribution according to work is a basic principle of distribution in the initial stage of socialism. Therefore, letting some of the people become prosperous first will not lead to the polarization of the rich and the poor as happens in a society under private ownership. The purpose in encouraging some of the people to become prosperous first is to encourage all people to get rich, and to use the experience of some people who get prosperous first to guide all people to attain the objective of common prosperity.

4. Economic Construction in the Initial Stage of Socialism

Viewing the initial stage of socialism from the angle of productive forces we know that it is mainly characterized by its "poorly developed material civilization." In other words, the level of its social productive forces is low. Special historical conditions created a special situation which lasted a considerably long period of time in China: On the one hand, we established the most advanced socialist system in the world; on the other hand, our economy and culture were still backward. This is the fundamental reason why China cannot but undergo a very long "initial stage of socialism." The above-mentioned characteristic of production relations in the initial stage of socialism reflects the level of social productive forces in a socialist country like China.

The initial stage of socialism means socialist construction in the elementary period. The basic program for the initial stage of socialism is that we should build China into a modern, socialist power. This basic program is put forward when China lags far behind the developed countries in the world in terms of social productive forces. In 1980, among 174 countries and regions covered by statistics compiled by the World Bank, China ranked 151st in terms of per capita GNP with an absolute value of \$290. At that time, West Germany ranked 6th with an absolute value of \$13,590. France ranked 12th with an absolute value of \$11,730. The United States ranked 14th with an absolute value of \$11,360. Japan ranked 21st with an absolute value of \$9,890. Britain ranked 26th with an absolute value of \$7,890. The highest per capita GNP of these countries was 47 times higher than ours, and the lowest was 27 times higher. If their per capita GNP continues to develop with an annual growth rate of 2 percent, by 2050 it will be 10 times higher than \$4,000. We know that \$4,000 is the target proposed by Comrade Xiaoping. No matter how our concept on the materialization of modernization changes in the future, it is a long process for the realization of modernization in China, and the initial stage of socialism will last long.

However, China in the initial stage of socialism will be able to gradually catch up with the developed countries as long as it succeeds in carrying out reform, giving play to its socialist strong points, following the principle that the "latecomers surpass the old-timers," and doing its own work well.

Of course, we should realize that we will encounter tremendous difficulties in realizing modernization. Backwardness--insufficient financial resources, shortage of talented personnel, low technical level, poor cultural quality, and so on--are difficulties in promoting development. There must be causes attributing to the backwardness of a country. If we fail to change the causes, it will be impossible for us to change the effects, or to turn the backward into the advanced. It is somewhat like a problem of "hens and eggs," which cannot be solved in an abstract way. In practice, we may discover the key points to solve the problem. Furthermore, with our positive action, we will be able to turn the backward into the advanced.

5. Why Do We Refrain From Saying That We Are Still in a Transitional Period?

According to Lenin, a transitional period meant "a period of struggle between dying capitalism and growing communism." In other words, it was also a period in which the nonpublic economic sectors were being eliminated. Shortly after the founding of the People's Republic, we needed to rapidly expand the socialist public economic sectors, fight against capitalist economy, and consolidate the worker-peasant alliance. However, due to the fact that China was not a capitalist country, if we regarded the historical period in China at that time as a transitional period like that following the October Revolution in Russia, this might mean that we had failed to follow the principle of proceeding from China's national conditions. In the course of transforming the nonpublic economic sectors, our success in terms of policy, measures, and methods, covered up our failure in dealing with the more vital problem--the way to view the historical stage.

If we say that it was improper for us to regard the historical development period in the 1950's as a transitional period, it is still less reasonable for us to treat the present historical development period in China as a transitional period.

If we say that our country is still in a transitional period today, this means we cannot but accept the concept and exposition by Marx and Lenin on the transitional period. Due to the fact that the concept on the initial stage of socialism is entirely put forward by us, we may, in accordance with the principle of integrating general Marxist theories and the actual conditions of socialist construction in China, explain the characteristics and tasks of this historical stage in a way which conforms with objective law.

The basic task in the initial stage of socialism is to build China into a socialist power with four modernizations. The emphasis in our aims of struggle is placed on construction. The coexistence of varied sectors of the economy, and the policy of letting some people become rich first are affirmed, because they are beneficial to the social, economic relations and related to the accomplishment of the construction task. Therefore, at this historical stage we will not propose any guiding principle aimed at transforming and eliminating economic relations beneficial to construction. The initial stage of socialism will last a very long period of time. Therefore, the working of initial stage of socialism is helpful to the stability of our policies, and the development of our construction.

There are many theoretical problems concerning the economy in the initial stage of socialism. At the same time, we should also study politics in the initial stage of socialism. In the past we only devoted meager efforts to this subject. The theoretical field should emphasize that efforts must be exerted to study, think deeply about, and explore, various problems occurring in this regard.

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CSO: 4006/365

NATIONAL AFFAIRS, POLICY

INITIAL SUCCESS IN CONTROLLING CAPITAL CONSTRUCTION

Beijing JINGJI RIBAO in Chinese 27 Oct 86 pp 1

[Report by Cheng Yuan [4453 6678]: "China Wins Initial Success in Controlling the Scale of Capital Construction; Proportion of Investment in Productive Construction Has Been Raised; Returns Have Taken a Turn for the Better; Control of Projects Under Construction Need To Be Improved]

This year, because all localities and departments earnestly carried out the State Council's "Various Provisions on Controlling the Scale of Fixed Asset Investments", we have reduced the number of new capital construction projects, finished up projects underway, stopped or slowed construction on several projects, and slowed the rate of growth of investment in capital construction. According to data from the State Statistical Bureau, state-owned units nationwide completed capital construction projects worth 61.79 billion yuan, from January to September, a 9.5 percent increase over the same period last year. This is an increase of 9.5 percent compared to the same period in 1985, and much less than the 38.6 percent growth rate registered over the same period in 1984.

In controlling the scale of capital construction, the achievements of Xizang, Tianjin, Nei Monggol, Xinjiang, Guangdong, and Beijing stand out in comparison. The scale of capital construction completed by these areas during the first 9 months of this year was on the whole less than that over the same period last year. The projects completed by the steel, coal, railways, petroleum, and electronics sectors also did not exceed the scale of capital construction engaged in over the same period last year. During the first nine months of this year, there were 7,507 fewer start-ups nationwide compared to the same period last year.

This year, the state realized a substantial dropped in extra-budgetary investment. During the first 9 months of this year, actually completed extra-budgetary investment amounted to 39.12 billion yuan, a 12.9 percent increase over the same period in 1985, and a substantial drop over the 79.3 percent figure for the same period in 1984.

This year the structure of investment also was also adjusted. The proportion of investment in energy industries rose, while that in raw and processing materials industries declined. The proportion of investment in

transportation, postal services and telecommunications remained the same as that of the previous year. At the same time, the proportion of investment in productive construction rose from 56.9 percent during the same period in 1985 to 59.8 percent, while investment in non-productive construction dropped from 43.1 percent in 1985 to 40.2 percent.

Because an initial degree of control over the scale of capital investment has been achieved, the profitability of investment has clearly been improved. The rate of fixed assets transferred and in use and the rate of construction projects turned over for production were both higher than those over the same period in 1985. The nation increased its coal extraction capability by 5.31 million tons, and its electricity generating capacity by 890,000 kw. At the same time the nation's key construction projects have been progressing smoothly. The 190 key construction projects completed this year according to a rational work schedule, represents 64.5 percent of the annual plan; this is higher than the 57.7 percent completion level for the country as a whole. Six major oil fields have already completed 8.09 million meters of drilling footage -- this constitutes 78.5 percent of the yearly plan and wells with a combined production capacity of 8.92 million tons have been put into operation. Fifteen major coal mines have already completed 139,000 meters of tunnelling footage, 75.4 percent of the annual. Seventeen major rail lines, 60 percent of that called for in the annual plan, were completed as were 12 major ports.

The State Statistical Bureau feels that although initial success has been realized in the control of the scale of capital construction, the total picture shows that the scale of investment still tends to be too large. Extra-budgetary construction by various localities and departments on various pretexts is still a serious problem. From data on already projects completed between January and September, it is estimated that capital construction exceeding the budget will still total approximately 17.1 billion yuan. That is why it is imperative that we cut-back on ongoing projects as well as unplanned ones.

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CSO: 4006/221

BRIEFS

INCREASED PRODUCTION, REDUCED COSTS URGED--Beijing, February 8 (XINHUA)--China's State Economic Commission called for nationwide efforts to increase production and revenue and reduce costs as the economic target of the year. Immediate actions must be taken to ensure the fulfillment of this year's central task in the national economic work, according to the commission's telegraphic message Friday to local economic commissions and state ministries concerned. Noting that the key to the fulfillment of this target lies in the improved efficiency of enterprises, the message called for enterprises to produce quality and marketable goods. The message also urged the industrial enterprises not to seek growth rate and quantities in disregard of efficiency and quality. The State Economic Commission requires the enterprises to reduce both annual materials consumption and production cost by two percent and to cut the amount of working capital to be used by them by two to three percent this year over last. The commission is going to dispatch investigation groups to different parts of China to look into ways of how to achieve better economic results with lower production cost. In another development, the All-China Federation of Trade Unions has recently issued a similar circular calling workers all over the country to actively participate in the drive to achieve the aim. [Text] [Beijing XINHUA in English 0914 GMT 8 Feb 87 OW] /6662

COMPREHENSIVE RULES--Beijing, 1 February (XINHUA)--Detailed rules on measurements applicable throughout China went into effect as of today with the aim of safeguarding the interests of the state and people of the whole country. The detailed rules, which were approved by the state Council and issued by the State Bureau of Metrology, stipulates specifically measurement units, criteria and standards. It also provides stipulations on manufacture, repair, sale, and use of measurement tools and measurement stipulations on products. According to the rules, "the measurement criteria should be equal to international standards. The metrology department under the State Council has the power to abolish measurement standards which are backward technologically or otherwise unsuitable." The government will develop metrology in a planned way and will introduce modern measurement technology so as to provide stable measurements for the nationwide modernization program, industrial and agricultural production, national defense, scientific research, domestic and foreign trade and the people's health and safety. Foreign business people must get permission from the metrology department before they can sell measuring tools in China. In order to protect consumers' interests, the detailed rules stipulate punishments and fines for units or individuals who make, sell, or use substandard measuring devices. [Text] [Beijing XINHUA in English 1556 GMT 31 Jan 87 OW] /12913

PROVINCIAL AFFAIRS

JIANG ZENIN STRESSES FOUR CARDINAL PRINCIPLES

OW151242 Shanghai JIEFANG RIBAO in Chinese 8 Jan 87 p 1

[By reporters Li Zhongshi and Dong Qiang]

[Text] In his report on the current situation to the 25th meeting of the Shanghai Municipal People's Congress Standing Committee yesterday, Mayor Jiang Zemin said: The municipality's economic development in 1986 was sound. In the New Year, we should treasure the political situation of stability and unity. While persistently carrying out reform and opening of the outside world, we should take a clear-cut stand in upholding the four cardinal principles and resolutely oppose bourgeois liberalization in order to develop the excellent situation.

In dealing with the 1986 economic situation in the municipality, Jiang Zemin said: While changing the old economic system into a new one, the municipality's economic structure was continuously readjusted. Industrial output went up by 4 percent over the previous year, foreign exchange earned through foreign trade noticeably increased, and the construction of urban infrastructure was accelerated. The market was stable and prosperous, and people's living standards continued to improve. Jiang Zenmin said: The main characteristics of production development in the municipality last year were: The growth of production gradually quickened, and the development of light and heavy industries was coordinated. The market mechanism was brought into play, and the product mix was readjusted. The growth of marketable quality products was rather fast, and the output of rolled steel, power-generating equipment, bicycles, and 22 other products increased by 10 percent in 1986 over 1985. Production in state enterprises located in Shanghai increased faster than that in local enterprises. Production in village and town enterprises developed vigorously. Because of the readjustment of the product mix, the production of neighborhood industries dropped to some extent.

In dealing with the present work, Mayor Jiang Zemin said: the Spring Festival is approaching. We must do a good job in production in the first quarter. We must vigorously arrange the supply of commodities for the market in order to let all people in the municipality spend a happy festival. At the same time, we should strengthen our political and ideological work and convincingly publicize the superiority of the four cardinal principles and socialism in order to resist the ideological trend of bourgeois liberalization.

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PROVINCIAL AFFAIRS

BRIEFS

PROVINCES' ECONOMIC PROGRESS HIGHLIGHTED--Beijing, 8 Feb (XINHUA)--Today's economic news briefs: Exports: Northwest China's Gansu Province exported U.S. \$100 million worth of goods in 1986, 42-43 percent more than in the previous year. Power Industry: Coastal Zhejiang Province has decided to install power generating units with a combined capacity of 900,000 kilowatts during the 1987-90 period by raising 950 million yuan from all sectors of society. Production Lines: China's largest production line producing neodymium oxide and praseodymium oxide--to be used in electronics and metallurgical industries--has gone into operation at the Gansu Provincial Rare-earth Company. The line is capable of producing 75 tons of neodymium oxide and 22 tons of praseodymium oxide a year. [Text] [Beijing XINHUA in English 1321 GMT 8 Feb 87 OW] /9738

CSO: 4020/114

FOREIGN TRADE, INVESTMENT

'OPENING POLICY' ACHIEVEMENTS IN 1986 VIEWED

OW010920 Beijing XINHUA in English 0822 GMT 1 Jan 87

["Round-up: All Round Successes for China's Opening Policy"--XINHUA headline]

[Text] Beijing, January 1 (XINHUA correspondent Yu Youhai)--The past year of 1986 witnessed China's steady and firm steps on the track of opening to the outside world and the great impact of the opening policy on the Chinese people.

Guangdong Province, the first to open its gate to outside world, experienced unprecedentedly fast speed in introducing foreign capital and technology and increasing its output value and foreign trade volumes. The ample market supply of commodities and marked improvement of people's living standard was also unseen in the previous post liberation years.

The once stagnant foreign investment regained speed and vigor in major cities like Tianjin, Shanghai, Xiamen, Shenzhen, Qingdao and Dalian.

The opening policy adopted by the Chinese Communist Party at its Third Plenary Session of its 11th Central Committee at the end of 1978 has brought a series of profound changes in the country's economic development in the following four aspects.

First, a rational layout of opening activities has been formed from the east to the west in different layers and forms. They include the four special economic zones in Guangdong and Fujian Provinces, the 14 coastal cities and the Hainan Island opening to foreign investment, the Yangtze, Pearl River and Minnan delta opening zones and the other inland provinces, autonomous regions and municipalities who also carried out international economic contacts in different depth.

Second, the quickened pace of introduction of advanced technology and management experience enabled the chemical, iron and steel, electronics, petroleum and coal industries to develop many economic and technical items of the 1980's level in the world. Many of the more than 5,000 enterprises involving foreign capital are advanced in technology and competitive on the international markets.

In addition, tens of thousands of domestic enterprises were renovated technically and the technology, equipment and management of many factories jumped ahead by about 20 years.

The oilfields in Xinjiang in the country's northwest discovered big oil reserves in 1986 with the application of modern equipment imported from abroad.

Third, the upgraded production promoted the country's foreign trade in turn. The total export value exceeded 30 billion U.S. dollars as against 9.7 billion U.S. dollars in 1978. Apart from the original exports of raw materials, semi-processed products, the country has been selling more extensive goods and technology. Chinese commodities are selling more briskly on the world market.

Fourth, the Chinese are paying greater attention to the quality and efficiency of foreign investments, like drawing funds mainly to develop technically advanced and export-oriented enterprises and enhancing management and raising working efficiency of enterprises.

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CSO: 4020/117

FOREIGN TRADE, INVESTMENT

GUOJI SHANGBAO ON SETTING UP FREE PORTS

HK020901 Beijing GUOJI SHANGBAO in Chinese 17 Jan 87 p 3

[Article by Zhou Yongbing (0719 6978 0365): "Initial Probing into the Question of Setting Up Free Ports on a Trial Basis in China"]

[Text] Free ports and free trade zones appeared first in Western Europe. The first officially named and accepted free port in the world was Leghorn [5490 0344 0077] free port in Italy's Gulf of Genoa, which was set up in 1547. After that, free ports gradually became more and more popular, and were set up in other parts of the world. Before World War II, there were 75 free ports and free trade zones in 26 countries and regions. At present, there are more than 560 special economic zones of all kinds in more than 80 countries and regions. Socialist countries such as Yugoslavia, Romania, and Hungary have also set up their free tariff zones and free ports. In this article, I would like to express my preliminary opinion on setting up free ports in our country on a trial basis.

Running free ports with Chinese characteristics is a new subject that we should deal with in our opening-up work under the new domestic and international situation. Can socialist China also set up free ports? Does China need free ports with Chinese characteristics? These are big questions concerning the political, economic, cultural, and social fields in our country. I think that we should first achieve consensus on the basis of renewing our concepts in theory and practice.

First, applying Marxist theory to renewing our approach to the issue of free ports.

Due to various reasons, our country maintained a closed natural economy over a long time past, and we lacked a correct understanding of the world market, international exchanges, and the international division of labor. In particular, the issue of free ports was a "forbidden area" in theory with which no one tried to deal. This problem has deep historical, social, and ideological causes. Marx pointed out long ago: "The use of machines and steam engines, and the growing scale of the division of labor, has made modern industry rely completely upon the world market, international exchanges, and the international division of labor. The bourgeoisie has, through its exploitation of the world market, given a cosmopolitan character to production and consumption in every country... in place of the old local and national

seclusion and self-sufficiency, we have intercourse in every direction, the universal inter-dependence of nations." This scientific Marx thesis provides a theoretical foundation for the opening-up policy of socialist countries. Lenin also summed up the experience in the early years of the Soviet Union in light of Marxist principles and held that refusal to study advanced technology and cultural achievements in capitalism, only [words indistinct] and backwardness which come from the ideas of the Middle Ages. Lenin put forward a formula for socialism: "Soviet political power plus the [word indistinct] of the Prussian railway plus U.S. technology and trust organizations plus U.S. national education plus other things equals the sum equals socialism." This enriched and developed Marxist theory. Through practice for more than half a century, people have realized more clearly that as socialist production is large-scale socialized production, it cannot be confined to merely one country. Instead, it must go beyond national boundaries and have complex relations with other countries, and must be involved in the international division of labor. The CPC "Resolution on Certain Questions in the History of our Party Since the Founding of the PRC" emphatically pointed out: "The revolution and construction in our country cannot be separated from other parts of the world. We always need foreign assistance, and need especially to study all progressive things that are useful to us." Therefore, the opening-up policy in our country is not only in line with the development regularity of the productive forces in the world, but is also in line with the development regularity of the socialist economy. We must be good at using Marxist theory to renew our concepts and understanding of the issue of free ports in light of the development regularity of the world economy, and in light of our own practice in socialist construction. In my opinion, establishing free ports in China is a step in line with the continuing, accelerating, and internationalizing characters of the world's productive forces development, and will speed up China's modernization process. It is completely in keeping with Marxist theory about the international division of labor.

Second, carefully analyzing the international economic environment, promptly studying the new countermeasures to meet the new challenges.

In modern times, one country's economy is more and more closely linked with the development of the world's economy, and global economic and technological cooperation is being further strengthened. In the world's economic life, production, capital, markets, and technology have all been internationalized, and this new situation provides a favorable environment for our country to participate in international division of labor.

According to rough statistics, about three-quarters of the world's direct foreign investment flows to industrial countries, and only one-quarter flows to developing countries. Since our country adopted the policy of opening to the outside world, direct foreign investment in our country has increased markedly. The foreign investments come mainly from the Hong Kong region, and the proportions of other countries' investments are still rather small. For example, investments from Japan and the United States account for merely 11.5 percent and 9.5 percent of the total foreign investment in China, and investments from Britain, France, Singapore, and West Germany are all below 3 percent. That is to say, our scope of introducing foreign investment is still

not large enough, and there is still a big potential for us to tap in the international financial market. In the 1980's, two important factors have appeared in the international economic environment. They are the emergence of the new technological revolution and global economic adjustment and reform. They have produced a great influence on the world economy. In the world economy, new and traditional industry coexist; the market and planned economy coexist; and competition and protectionism coexist. With the interaction of new and old factors, the world economy is expected to grow slowly. Protectionism in the fields of production and circulation will certainly grow; and competition in the markets will become more intense. We must be good at perceiving new changes in the international economic environment and analyzing the current situation so as to promptly work out effective countermeasures to meet the new challenges.

Third, establishing free ports with Chinese characteristics is needed for the in-depth development of our opening up to the outside world.

At present, our country has established special economic zones, open coastal cities, and other forms of open areas in order to pursue the opening policy. We have also established 13 economic and technological development zones. These are all major steps in carrying out the opening policy and the economic construction strategy. More and more people at home and abroad are now paying attention to our further steps for advancing the good situation in opening up.

In 1984, when the central authorities decided to expand the Xiamen Special Economic Zone to the entire island, they pointed out that the Xiamen Special Economic Zone can adopt some free port policies. This fully showed that China had given consideration to the establishment of free ports with Chinese characteristics and had made a good start in this regard. This also represented a major strategic step in our country's opening up.

According to practical experience in other countries in the world, the development and construction of a free port may be divided into four stages. That is: The planning and preparations stage; the construction stage; the development stage; and the mature stage. Free ports in different countries can also be divided into three different categories suited to different local and national conditions:

- 1) The trade and finance category. Free ports in this category play a full role as trade and financial centers in facilitating the movement of funds and commodities.
- 2) The capital and technology intensification category. Free ports in this category mainly develop industrial and agricultural production by introducing advanced foreign technologies and foreign investments.
- 3) The comprehensive development category. Free ports in this category develop trade, finance, industry, and technology simultaneously, and development in these fields is interdependent.

To establish free ports with Chinese characteristics, we must go our own way and give consideration to our socialist system and to our national conditions.

In my view, the establishment of free ports in China must be in line with the following four basic principles:

First, the management of the free ports must ensure the people's position as master. The state organs in the free ports have legislative power and use law to manage all affairs in the ports. Foreign businessmen and foreign friends are protected by Chinese law, and must also subject themselves to Chinese law.

Second, the construction of the free ports must be brought under the guidance of state plans and must be favorable to local and state economic and social development. We should not only open in economic and trade aspects, but also in the cultural aspect. While making good use of foreign funds and introducing foreign advanced technology and generally applicable management skills, we should actively promote cultural exchanges with other countries, and absorb the cultural achievements of other countries so as to promote the building of socialist material and spiritual civilization in our country.

Third, the economic mode of a free port must be outwardly oriented and be open in all aspects. It should perform comprehensive economic functions. The development of industry, import and export trade, finance, information, and technology should be planned and arranged as an integrated body. In the import and export field, exports should be encouraged so as to earn more foreign exchange income and to occupy a bigger [words indistinct] markets. At the same time, import substitution should also be allowed. That is, a part of the domestic market should be open to products produced in the free port to substitute for similar import goods. This will help introduce foreign funds and advanced technology and create a favorable investment environment.

Fourth, free port policies should be formulated in light of our national conditions, and consideration should be given to the feelings of, and acceptance by, the public. Pilot schemes should be carried out first in one or two port cities which have good conditions. They should be authorized to adopt some more flexible and special measures. That is, some free port policies. For example, measures can be adopted in simplifying entry and exit procedures, and in aspects of import and export trade, economic and technological cooperation, taxation, and foreign exchange control. Through bold practice, timely summing-up of experience, and continuous improvement of various relations, we will create a new mode of free ports with Chinese characteristics.

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CSO: 4006/324

FOREIGN TRADE, INVESTMENT

POLICY OF OPENING TO OUTSIDE ENTERS NEW PHASE

Beijing RENMIN RIBAO [OVERSEAS EDITION] in Chinese 12 Jan 87 p 3

[Interview with Ji Chongwei, secretary of the Economic, Technological, and Social Development Research Center of the State Council, by RENMIN RIBAO reporter Feng Xiao [7458 7197]: "Policy of Opening Up to the Outside Enters a New, All-round Phase"; date and place of interview not given]

[Text] Early in the new year this reporter interviewed Ji Chongwei [1323 1504 1218], secretary of the Economic, Technological, and Social Development Research Center of the State Council, and talked to him about the new idea he raised at a symposium late last year, namely that "China is entering a phase of opening up to the outside world all round."

Ji Chongwei said that China opening up to the outside world all round means that it is applying the policy to developed capitalist nations as well as socialist countries and Third World nations in accordance with the principles of equality and mutual benefit, and expanding cooperation with those nations in economic relations, trade, and technical and cultural exchange.

Reviewing the post-liberation situation, Ji Chongwei said, "In the first years after liberation, owing to the blockade imposed on it by some capitalist nations, China could only open up to the socialist camp. Of course there were also contacts with Third World nations. It was only in the late 1970's that the policy of opening to the outside was put forward. Because of objective constraints, the policy was phased in in stages. Gradually we put together an open-door setup, from east to west and from north to south, consisting of 4 special economic zones, 14 coastal opened cities, 3 coastal opened economic zones, and the opened economic zone on Hainandao. Cooperation and contacts with the Third World too have become increasingly frequent in recent years. In the 1980's, China's trade relations with the Soviet Union were revived and expanded after stagnating for 20 years. Economic relations with countries in Eastern Europe and Mongolia have also been successively restored and strengthened."

Practice shows that opening up to the outside world, which has enabled the Chinese economy to grow rapidly, is a basic national policy in line with the entire people's interests. At the same time, the policy has also benefited countries around the world which have cooperated with China. In the wake of

changes in international relations and developments in the Chinese economy, China's open up policy has entered a new stage. To open up to the outside world all round, China today must continue primarily to open wide the two doors facing the southwest and northeast, respectively. Conditions already exist for such a move.

China has accumulated 7 years' experience in its open policy and has formulated over 70 sets of laws and regulations governing foreign economic relations, which are being perfected continuously. In recent years, we have been improving material conditions steadily such as external communications and transportation, posts and telecommunications, port construction, aviation services, air freight, and tourist facilities. Also we have built all kinds of export production bases targeted at the needs of opening up to the outside world all round and capable of supplying different countries with different products. Provinces and regions concerned are actively creating a favorable environment and proposing more projects involving foreign cooperation to meet the need of opening up to the outside world all round.

Since the State Council promulgated regulations to improve the investment climate for foreign businessmen, all localities have successively drawn up implementation regulations and methods and been announcing them for implementation. The Chinese government has asked officials at all levels to adapt themselves to the new open situation mentally and adjust the way they do things. There should also be structural reforms to make institutions more compatible with the new open policy.

Discussing changes in China caused by the new policy, Ji Chongwei said, "Opening up to the outside all round will further our open policy and naturally create a fourth open level--from north to south, from east to west. This will enable various provinces and regions in China's northwest and northeast to enter the international markets in the west and north, thereby stimulating international exchanges and overall economic growth in those provinces."

Ji Chongwei said, "Opening up to the outside world all round will expedite the construction of the third Chinese-Soviet railroad connecting Xinjiang with Europe along the Chinese-Soviet border in central Asia, which will become a new continental bridge straddling Asia from the Pacific to the Atlantic. This will substantially cut down on transport mileage between the two continents of Asia and Europe and accelerate China's policy of opening up to the outside world all round."

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CSO: 4006/330

FOREIGN TRADE, INVESTMENT

RENMIN RIBAO COMMENTATOR ON NEW CUSTOMS LAW

HK270807 Beijing RENMIN RIBAO in Chinese 24 Jan 87 p 4

[Commentator's article: "An Important Law Safeguarding State Sovereignty"]

[Text] "The PRC Customs Law," approved by the 19th session of the 6th NPC Standing Committee, will come into force on 1 July this year, and "the PRC Provisional Customs Law," promulgated by the Central People's Government in 1951, will be abolished at the same time. The new "customs law" is very important to safeguarding state sovereignty and interests, to strengthening customs supervision and management, to helping China's needs in opening up to the outside world, and to promoting and protecting the country's socialist modernization.

Our customs is an administrative and law enforcement organ. It is charged with carrying out supervision and management according to law, collecting tariffs, investigating and suppressing smuggling, compiling statistics of customs imports and exports, and other important tasks. With the promotion of reform and opening up, customs is not only responsible for strictly guarding customs passages and effectively keeping a lookout for and cracking down on smuggling and criminal activities, but is also responsible for making things convenient for imports and exports and actively promoting the development of economic, trade, scientific, technological, and cultural exchanges with foreign countries. All these tasks require correct guiding principles, legislation, and law enforcement. One important feature of the new "customs law" is that it embodies the principle of promoting and ensuring the opening up policy.

To suit the needs of gradually pushing the development of foreign trade and technical cooperation from the coastal areas into the vast hinterland, the new "customs law" stipulates: In addition to setting up customs offices in open ports, customs offices can also be set up in places in the hinterland where customs supervisory and management work and business are centralized to enable import and export consignees and consignors to go through the customs formalities and procedures there; to promote prosperity in open areas and to support the import of foreign capital and technology, preferential treatment will be given to imports and exports carried out by special economic zones and other specially designated areas and also by Sino-foreign joint ventures and other specially designated enterprises.

As economic levers for readjusting imports and exports, tariffs are playing increasingly important roles in promoting Sino-foreign economic cooperation, protecting domestic production, and increasing government revenues. Another important feature of the new "customs law" is that it embodies the state tariff policy and emphasizes the principle of collecting tariffs and carrying out management work according to law. It stipulates the basic tariff system and rights and duties of taxpayers. It also stipulates the limits to reducing or remitting legal and specially designated tariffs and the procedures in examining and approving the reduction and/or remission of provisional tariffs, thus laying foundations for the perfection of our tariff system.

Our laws are weapons for protecting the people and cracking down on criminals. The new "customs law" contains strict stipulations for penalizing smuggling and criminal activities and for safeguarding the democratic rights of litigants, clearly defines the demarcation line between smuggling crimes and common smuggling activities, and contains strict stipulations for ascertaining and penalizing smuggling crimes (including stipulations for penalizing smuggling crimes committed by enterprises, institutions, and organizations), thus providing a forceful legal weapon in the struggle against smuggling and helping concentrate forces to crack down on major smuggling activities, smuggling groups, and criminal activities of smuggling narcotic drugs, obscene things, and other things of great harmfulness. To safeguard the lawful rights and interests of litigants, the new "customs law" also clearly stipulates that litigants who refuse to accept the customs penalties can apply to customs for reconsidering their cases and can also take legal proceedings in people's courts. This reflects China's socialist democracy.

Practice over the past few years has proved that with the further promotion of opening up and enlivening, it is becoming increasingly important for us to strengthen supervision and management, perfect the legal system, and strictly handle affairs according to law. Our customs is our country's organ for supervising and managing the customs entrances and exits and it is imperative to further strengthen the functions of our customs. For this reason, the new "customs law" stipulates: "Customs offices independently exercise their functions and powers and hold themselves responsible to the general administration of Customs." The law also vests in customs offices the relevant powers to carry out supervisory and management work and to investigate and suppress smuggling. Administrative organs in all areas must support and coordinate with customs work and must not meddle in customs work at will.

Since the new "customs law" makes higher demands on customs working personnel, vast numbers of customs working personnel must enforce the law in an exemplary way, make great efforts to enhance their political and professional quality, be devoted to their duties, be impartial and honest in performing their duties, carry out civilized supervision and management, be courteous toward people, firmly establish the sense of "bringing credit to the country and holding oneself responsible to the people," and wholeheartedly serve our socialist modernization.

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CSO: 4006/324

FOREIGN TRADE, INVESTMENT

CHINA DAILY ON NEW SHANGHAI INVESTMENT AGENCY

HK030348 Beijing CHINA DAILY in English 2 Jan 87 p 2

[Article by staff reporter Hu Sigang]

[Text] Shanghai is enjoying a steady growth in investment from overseas and the fast development of joint ventures and co-operative enterprises. Now it has made it easier for foreign firms to invest in the city.

By the end of November, it had absorbed overseas investment amounting to \$1.5 billion, up 12.95 per cent over 1985.

The number of Sino-foreign joint ventures, co-operative enterprises and solely foreign-owned enterprises has increased to 215, 44.8 per cent more than 1985. Resident representative offices increased by 27.1 per cent to 258, according to a senior official of the municipal government.

There are now 138 Sino-foreign joint ventures, 74 co-operative enterprises and three solely foreign-owned enterprises in Shanghai, involving businessmen from 14 countries and Hong Kong. The United States is the biggest investor, followed by Hong Kong, Japan and West Germany.

Of 258 resident representative offices from 18 countries and regions, almost 80 per cent are engaged in foreign trade, 11 per cent in financial business and 6.6 per cent in ocean shipping.

Shanghai, ambitious to become one of the most influential cities on the west coast of the Pacific, is taking a series of measures to change its old unfavourable image. The most recent step is the establishment of a new co-ordination body in charge of foreign investment affairs.

Aimed at making things easier for overseas businessmen and foreign investors and developing efficiency, the Shanghai Foreign Investment Development Agency headed by Vice-Mayor Qian Xuezhong started business yesterday. In a speech on New Year's Eve, Vice-Mayor Li Zhaoji acknowledged that that "there are some problems which need urgent care." [as published]

Under the direct leadership of the Municipal Foreign Investment Administration, the new agency will deal with all procedures for foreign investors, according to Li. Its duties are as follows:

--To give prompt and clear replies to foreign investors on their investment intentions in accordance with the investment directions and plans for using foreign investment issued by the municipal government.

--To find Chinese partners and introduce consultancy organizations to foreign investors.

--To supply foreign investors with various materials explaining the investment environment, preferential policies, laws and provisions of Shanghai and to answer questions concerning business, policies and the law.

--To deal with the procedures for foreign investors which must be dealt with in the process of the approval of projects.

--To deal with the correspondence and visits of foreign investors.

Besides the new agency, the city has also set up a foreign currency exchange centre and an agency responsible for providing production materials to joint ventures, co-operative enterprises and foreign enterprises in Shanghai.

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CSO: 4020/117

FOREIGN TRADE, INVESTMENT

NEW YUNNAN RULES ENCOURAGE FOREIGN INVESTMENT

OWO41735 Beijing XINHUA in English 1510 GMT 4 Jan 87

[Text] Kunming, January 4 (XINHUA)--Yunnan Province in southwest China has promulgated regulations to encourage foreign investment, XINHUA was told today.

The 12-article provisions stipulate that, among other things, export-oriented and technically advanced enterprises will enjoy free land use for five years after they start operation, and from the sixth year they will be charged low land-use fees.

And these two types of enterprises will enjoy free subsidies provided by the state for their Chinese workers.

Enterprises with foreign investment not only enjoy income tax reductions and exemptions for a certain period set by the central government, but are exempted from local income tax during the same period.

Among them, those export-oriented and technically advanced can enjoy local income tax exemptions for another five years.

The provisions stipulate that enterprises with foreign investment will have decision-making power in production planning, management, personnel arrangements and salaries.

The provincial government will also set up a joint office of departments concerned so as to cut redtape and handle the problems facing the enterprises with foreign investment speedily.

The provisions are said to offer more preferential terms than the provisions published by coastal and inland provinces and municipalities after the state promulgated its 22-article provisions for the encouragement of foreign investment in November.

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CSO: 4020/117

FOREIGN TRADE, INVESTMENT

TIANJIN'S PROGRESS IN JOINT VENTURES REPORTED

OW010548 Beijing XINHUA in English 0200 GMT 1 Jan 87

[Text] Tianjin, January 1 (XINHUA)--Tianjin set up 55 joint ventures with foreign firms last year, bringing the total number of such enterprises in the city to 187, a city official told XINHUA today.

The investment of the 55 totalled 180 million U.S. dollars, with 39 percent coming from Hong Kong firms, and 37 percent from American firms, said Zhuang Yikai, vice-chairman of the Tianjin Commission for Foreign Economic Relations and Trade.

Major products include ingredients for soft drinks, program controlled telephone exchanges, printed circuits, fish food, brandy and infusion equipment.

The annual sales volume of the products made by 71 joint ventures now in operation exceeded 300 million yuan (81.1 million U.S. dollars) last year, the official said.

The most profitable enterprise was the China Tianjin Otis Elevator Company Ltd., a Sino-U.S. joint venture, which has earned 36 million yuan (9.7 million U.S. dollars) in less than two years.

A service center will open this year to handle all procedures for opening enterprises involving foreign capital, he said.

Meanwhile, regulations on the control of factory officials, labor management and labor security systems in such enterprises will also be worked out.

A special court will be set up to handle appeals of foreign investors in their economic disputes with Chinese partners, the official said.

City authorities have recently cancelled 13 joint venture contracts due to changes in the partners and the amount of capital involved, he added.

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CSO: 4020/117

FOREIGN TRADE, INVESTMENT

GUANGDONG OPENS MEETING ON FOREIGN ECONOMIC RELATIONS

HK070221 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 6 Dec 86

[Text] A provincial conference on foreign economic relations and trade opened in the Nanhu Hotel in Guangzhou today. Vice Governor Yu Fei made a speech. He pointed out: This year Guangdong has fulfilled its year's export quota three months ahead of schedule. Such a momentum had never been seen before. In next year's foreign economic relations and trade work, we should further strengthen leadership, base our efforts on earning foreign exchange, implement the policies, use foreign investment well, and take off with both wings.

He expressed the hope that, in accordance with this intention, the province's foreign economic relations and trade departments will do a thoroughly good job in all their work.

Yu Fei said: This year the province's cities and prefectures have paid attention to the orientation for the use of foreign capital in those projects using foreign capital. As a result, the quality of the projects set up with foreign businessmen's investment is good, productive projects account for a high proportion, and the proportion of their products sold abroad has increased.

On the demands for next year's foreign economic relations and trade work, Yu Fei made the following points: 1) Make all preparations for reforms in the foreign trade setup. 2) Get a good grasp of the orientation for the use of foreign capital, do a good job in running enterprises set up with foreign businessmen's investment, promote three forms of import processing and compensation trade, and achieve a new improvement in importation work.

/12913

CSO: 4006/324

FOREIGN TRADE, INVESTMENT

HUNAN TRADE OFFICIAL ON HUNAN FOREIGN TRADE

Changsha HUNAN RIBAO in Chinese 11 Jan 87 p 1

[Interview with Tang Zhixiang, vice chairman of the Hunan Foreign Economic Relations and Trade Commission, by HUNAN RIBAO reporters Wang Deyun [3769 1795 0061], Chen Xin [7115 2946], and Zhou Xintai [0719 2450 1132]: "Hunan Earned a Record \$500 Million in Foreign Exchange from Exports in 1986"]

[Text] Vice Chairman Tang Zhixiang [0781 0037 0078] of the Hunan Foreign Economic Relations and Trade Commission granted us an interview in a simply furnished office at the commission. He said, "In the new year, the province's 18,000 workers in economic relations and trade must double their efforts to ensure that foreign exchange earnings from exports hit \$550 million and strive to push the figure toward \$600 million so that the province's foreign exchange earnings from exports will reach a new high."

Tang Zhixiang said that owing to correct policies, assistance from all quarters, and joint efforts by workers in economic relations and trade, the province's exports last year emerged from a 3-year stagnation to zoom through the \$500 million barrier, the best performance ever in history. However, we absolutely must not rest on our laurels. As things now stand, the national government is still low on foreign exchange, yet Hunan needs more and more foreign exchange as the years go by to finance economic construction. This year it requires at least an additional \$80 million. If this trend continues, the province's foreign-exchange earnings target in the Seventh 5-Year Plan must be raised to \$900 million-\$1 billion, up from the original \$700 million. This is already the second year in the plan. Should Hunan fail to make an extra \$100 million, then the burden in the coming several years will be even heavier.

Certainly many things are in Hunan's favor. Tang Zhixiang said, "We gained a lot of experience last year when we broke through the \$500 million barrier. More important still, we have good policies in which both the national and provincial governments support export and everybody is strongly motivated to increase exports and earn more foreign exchange. Given these two factors, we must and can scale new heights."

Lofty ambition aside, there must be earnest, steady work. Tang Zhixiang told us confidently, "The key to this year's work is mastering the 'two

intensifications,' i.e., all workers in foreign economic relations and trade must intensify their consciousness of the policy of opening up to the outside and of earning foreign exchange." Where is the starting point for the "two intensifications?" Tang Zhixiang said, "First, we must apply ourselves to improving the export commodity structure and stepping up the export of industrial manufactured goods. But even as we work hard to improve the quality and expand the quantity of existing commodities, we must exert ourselves to develop new products, with emphasis on textiles, electrical machinery, light industry, chemicals, and food processing, and make every effort to increase the share of new-product exports to 10 to 15 percent of total exports. Second, we must redouble our efforts to adjust the distribution of export production. In accordance with the principle of selecting the best, we must identify places which have good transportation and production experience and which make distinctive products and aggressively develop an export-oriented economy there geared to the international marketplace. We must come up with plans for four major production systems--pigs, ceramics, ramie and finished goods, and fireworks and firecrackers--in the first half of this year and set up over 200 export bases and special factories within the year. Slowly we will put together a host of production systems producing flagship products. To increase the export momentum of export bases and special factories soon, we will put up about 100 more export-oriented projects. These projects will have a short construction period, apply technology suited to small enterprises, and yield economic results quickly. Third, even as we strengthen cooperation between trade, on the one hand, and industry, agricultural, commerce, and technology, on the other, and consolidate ties with Shanghai and coastal ports in Guangdong, we must vigorously and steadily adjust the division of labor among units within the province as far as foreign trade is concerned so that over time more and more local export enterprises, particularly prefectural and county export enterprises, will take their place in the international market in their own right. Fourth, we must open up the international market even more extensively and further cultivate distant markets, especially those in developed nations. It has been decided that over 20 people will be sent to the U.S., Britain, Japan, Australia, and the Federal Republic of Germany this year to set up 13 windows. There will also be a large-scale 'Hunan trade fair' combining exports with imports, with emphasis on the former. Through these efforts, we will replenish the sources of marketable products and increase our international market share."

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CSO: 4006/330

FOREIGN TRADE, INVESTMENT

RURAL ENTERPRISES PRODUCE EXPORT COMMODITIES

OW061816 Beijing XINHUA in English 1627 GMT 6 Feb 87

[Text] Beijing, 6 Feb (XINHUA)--China now has 9,000 export-oriented rural enterprises that produce 3,000 different commodities for a hundred countries and regions, according to today's ECONOMIC DAILY.

Their export commodities include arts and crafts, foodstuffs, tea, silk fabrics, fireworks, minerals, garments, machine parts, chemicals, household electric appliances, building materials, textiles, leather products, stationery, toys and equipment.

Their returns last year amounted to 4.5 billion U.S. dollars as against 4 billion in the previous year,

Such enterprises have been rapidly growing and have quickly become an important force to supplement major state enterprises in the production of export commodities. During the 1981-85 period, rural businesses grew at an annual rate of between 15 and 20 percent.

Rural enterprises in China's coastal areas are most successful, leading by the rural districts of Shanghai, China's major industrial city.

In an article printed in the paper today, Vice Minister of Agriculture, Animal Husbandry and Fisheries Chen Yaobang said rural enterprises still have more potential yet to be tapped. He called on different departments to help these enterprises so that they can specialize their production, update their technology and equipment, and develop local resources to serve export trade.

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CSO: 4020/112

FOREIGN TRADE, INVESTMENT

GREATER EXPORT OF LIGHT INDUSTRIAL GOODS URGED

OW080902 Beijing XINHUA. in English 0837 GMT 8 Feb 87

[Text] Beijing, 8 Feb (XINHUA).--Expanding exports of light industrial products constitutes an "important measure to vitalize China's light industry," Chinese leader Hao Jianxiu said here today.

Addressing a national conference on the light industry that opened here today, Hao, a member of the secretariat of the Chinese Communist Party Central Committee, called for a "prompt shift" from roughly-processed goods to intensively-processed ones and a fast expansion of an export-oriented economy in coastal cities.

She said that the country's light industry has grown at an average annual rate of 10.5 percent in terms of output value since the founding of new China in 1949 and has also earned a considerable amount of hard currency for the country.

Hao, a national model worker in the 50's, told the conference: "The rapid expansion of the world economy has posed a new challenge to China's light industry." She listed drab variety and low grade as prominent problems in China's light industrial production.

She told the authorities in coastal cities to boost exports of light industrial products by making the best use of their advantages such as the competent technical force, a complete range of industries and high management standards.

"The light and textile industries are, in my view, the most promising sectors in increasing exports over a certain period to come," she said, "because they have enormous advantages and potential in that regard and the light industry has a greater advantage in natural resources."

Moreover, she went on, "we've repeatedly made it clear that the current criticism against bourgeois liberalization is designed to rectify the unhealthy tendencies in China's political and ideological field. And it will by no means adversely affect the policy of opening China to the rest of the world."

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CSO: 4020/112

FOREIGN TRADE, INVESTMENT

BEIJING REVIEW SAYS MORE SHIPS TO BE EXPORTED

OW091302 Beijing XINHUA in English 1229 GMT 9 Feb 87

[Text] Beijing, 9 Feb (XINHUA)--China will export ships with a total tonnage of 240,000 and will contract another 300,000 dwt this year, according to the latest issue of the BEIJING REVIEW.

The weekly quoted Qu Quangshun, a spokesman for the China Shipbuilding Industry Corporation, as saying that ships to be exported this year include two oil tankers of 69,000 dwt each for Norway, a Panama-type container ship of 64,000 dwt for Hong Kong and two multi-purpose vessels of 2,700 dwt each for Denmark.

Moreover, China has signed shipbuilding contracts with the Soviet Union and other East European countries, as well as with companies from West European, African and Asian countries.

Last year, the country met some difficulties in exporting ships as international demand decreased, and the price of raw materials and production costs rose. Even so, it still concluded contracts for building 13 [words indistinct] 242,000 dwt and exported four ships of 123,000 dwt.

Together with platform ships and repair ships, China exported ships valued at 100 million U.S. dollars in 1986, the weekly said.

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CSO: 4020/112

FOREIGN TRADE, INVESTMENT

BRIEFS

HARBIN FOREIGN INVESTMENT--Harbin, January 5 (XINHUA)--By 1990, Harbin, capital of Heilongjiang Province and one of China's major heavy industrial cities, is expected to export 206 million U.S. dollars-worth of goods and attract 107 million dollars of foreign investment. The city will absorb 33 million U.S. dollars of foreign funds and export goods worth 51 million dollars in 1987, a 53.5 percent increase over the figure for last year, said Vice-Mayor Li Jiating at a recent municipal meeting on foreign economic relations and trade. The city has decided to build a number of export-oriented commodity bases to turn out heavy industrial goods, farm produce and local specialties. It will also expand economic and trade relations with Canada, Japan, the Soviet Union, the United States, and East European and Southeast Asian countries. Li said, "The city exported 50 million U.S. dollars-worth of goods in 1986, when it received the decision-making power over foreign trade." [Text] [Beijing XINHUA in English 1046 GMT 5 Jan 87 OW] /6662

SICHUAN ATTRACTS FOREIGN INVESTMENT--Chengdu, January 5 (XINHUA)--Southwest China's Sichuan Province has attracted 500 million U.S. dollars in foreign investment, according to the provincial department of foreign economic relations and trade. Department officials said, "The province has coinvested or cooperated with foreign businesses in 264 projects covering light and textile industries, energy, communications, agriculture and animal husbandry." The province now has more than 40 enterprises jointly opened with foreign businesses, according to officials. "The province boasts rich natural resources, a large domestic market and cheap labor," the officials said, adding the province has been utilizing its natural advantages, combined with foreign technology and advanced management, to the fullest. [Text] [Beijing XINHUA in English 0646 GMT 5 Jan 87 OW] /6662

GUIZHOU 1986 EXPORT EARNINGS--Guizhou, an underdeveloped province in southwest China, reported an export earning of nearly U.S.\$6 million in 1986, up 81 percent over 1985. The province exported nearly 300 varieties of goods, including potassium permanganate, abrasives, grinding tools, mercury, heavy spar, bauxite, machinery, hides, medicine, ramie yarn and fabrics, tea and the 'maotai' liquor, according to Wang Peizhi, director of the provincial department of foreign economic relations and trade, on 3 January. Wang said that the province was rich in export goods resources and it purchased 12 million yuan worth of quality export goods in 1986. The director said that the

province began to establish trade relations with the outside world after it had held an export goods exhibition in Hong Kong in early 1986. The exhibition attracted more than 600 new customers. The number of countries and regions having trade relations with the province has increased from 20 to 57. In addition, the province has in recent years increased cooperation with both Chinese and foreign firms to boost export production and raise quality of export goods. The number of export goods increased by 50 categories in 1986, the director said. [Text] [Hong Kong TA KUNG PAO in English 8-14 Jan 87 p 6 HK] /6662

CSO: 4020/117

ECONOMIC ZONES

CONFERENCE ON SPECIAL ECONOMIC ZONES CLOSES 10 FEBRUARY

OW101803 Beijing XINHUA in English 1635 GMT 10 Feb 87

[Text] Shenzhen, 10 Feb (XINHUA)--The central task for China's four special economic zones this year is to "promote production, continue reforms and improve management," according to a conference that closed here today.

Delegates to the conference agreed, "the four zones, three in Guangdong Province and one in neighboring Fujian Province, made advances to curb capital construction, readjust the industrial structure, expand production and improve economic efficiency last year."

In 1986, the zones manufactured 6.8 billion yuan (1.8 billion U.S. dollars) worth of goods, and exported products totalling one billion U.S. dollars, both up 20 percent over 1985.

Delegates shared the view, "to step up the economy in the zones this year depends on reforms."

"This year authorities in the zones should focus on expanding an export-oriented economy, stepping up production, and improving the market system and administrative management," the delegates agreed.

Delegates said that the special economic zones should lead the country in creating an ideal climate for foreign investment.

It was also agreed, "management and production efficiency are directly related to the future of the special economic zones, and as more enterprises start production, strengthening management becomes a more pressing matter."

The meeting called on all enterprises to perfect factory regulations, quality control and economic accounting, reduce cost, speed up fund flow and use the least investment to achieve the best economic results.

The meeting encouraged the training of personnel, increasing production while practicing cost efficiency, doing everything in the spirit of hard work and thriftiness and eliminating ostentation and extravagance.

The meeting urged further imports of advanced technology and equipment while cooperating with Chinese companies to develop an export-oriented economy with emphasis on sophisticated, small, light and new products.

Attention will be paid by the state in aiding export-oriented enterprises to produce products now in demand.

The meeting encouraged the special economic zones to rely on domestic enterprises to process products and help export name brand products.

The meeting called on the special economic zones to strictly control capital construction and concentrate efforts on perfecting export-oriented production.

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CSO; 4020/112

ECONOMIC ZONES

LIAONING TO BUILD LIAODONG PENINSULA ECONOMIC ZONE

SK050414 Shenyang LIAONING RIBAO in Chinese 18 Dec 86 p 1

[Text] "Build the Liaodong peninsula export-oriented economic zone at a quicker pace, and strive to open the entire peninsula at an early date." This is the important strategic policy decision at the provincial party committee and government announced by Acting Governor Li Changchun at the provincial planning work conference on 16 December. As has been learned, investigations and study to transform the economy of the Liaodong peninsula and the coastal area toward an export-oriented economy, participated in by some dozen provincial departments, has already begun.

The Liaodong peninsula and the coastal area are an economic zone with a group of harbor cities centering on Dalian as its forward position, and a group of cities in central Liaoning centering on Shenyang as its hinterland. It is an important link in the economic zone along the Pacific Ocean, a communications hub that connects the European and the Asian continental bridge, an important pillar of our province's national economy, and a treasure of our country. The key to revitalizing Liaoning is to build the Liaodong peninsula and the coastal area into an open export-oriented, and multi-purpose socialist modern economic zone with a rational production setup, advanced science, and technology, and a high degree of material and spiritual civilization as soon as possible.

Speaking on comprehensively promoting the construction of the Liaodong peninsula export-oriented economic zone, Comrade Li Changchun said, It is first necessary to establish a personnel training system commensurate with the requirement to open to the outside world. Secondary vocational schools, colleges, and universities where conditions permit should adjust their specialties, and establish such specialties as foreign economic relations and foreign trade in line with the demand for cultivating export-oriented economic management personnel. Senior middle vocational schools should train numbers of guides, hotel attendants, and cooks. Key foreign trade enterprises may establish a foreign economic relations section if necessary. Scientific and technical personnel of enterprises should be determined to master spoken foreign languages, and foreign trade administrative personnel should also learn one or two specialized skills and strive to become proficient in the operations of foreign trade as soon as possible.

In line with the demand to build the Liaodong peninsula export-oriented economic zone at a quicker pace, plants and enterprises should adjust their product mix, and produce whatever the international market demands. They should also formulate development plans and carry out technological transformation in line with this principle. On the premise of stabilizing grain production, rural areas should greatly develop the economy in which agriculture serves the processing industry and the processing industry serves trade, and actively expand exports.

We should make the various cities of the Liaodong peninsula more famous and attractive through development of tourism. For this purpose, we should greatly develop tourist spots with local flavor, and study programs that we are sure can be attractive. The traditional arts of minority nationalities should also be oriented to the needs of opening to the outside world.

Urban infrastructural construction for airports and harbors should be accelerated, the improvement of city appearance should be oriented to the needs of opening to the outside world, environmental pollution should be tackled rapidly, and traffic order should be conscientiously improved. We should raise the people's levels in civility through education on the spiritual civilization.

We should expand propaganda toward foreign countries. Cities should have a window through which to publicize themselves. Publication that can be opened to the outside world may open a special overseas propaganda edition or pages. Cultural and propaganda departments may produce videotapes to introduce city scenic beauty extensively overseas.

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CSO: 4006/361

ECONOMIC ZONES

ZHUHAI 'LACKS ATTENTION' AS SPECIAL ZONE

HK030317 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 2 Jan 87

[Text] Zhuhai City is to seriously study and solve the problem of the special zone not being special, and remove the obstacles to developing lateral economic ties. This was revealed at a new year forum by Vice Mayor (He Zhongyun),

Zhuhai City has actively developed lateral economic ties in recent years and has set up 379 enterprises run in cooperation with units in the interior. The city recently seriously summed up experiences in developing lateral economic ties and found out the existing problems. The main problem at present is that the special zone is not special; as far as the interior is concerned, it lacks attraction.

To resolve the problem of the special zone not being special, the city party committee and government will take a series of reform measures. The city government has promulgated relevant regulations on a number of issues in developing lateral economic ties. These provide more favorable treatment conditions for units joining in cooperation.

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CSO: 4006/361

ECONOMIC ZONES

PUBLIC SHAREHOLDING INTRODUCED IN STATE OWNERSHIP

HK040340 Beijing GUANGMING RIBAO in Chinese 10 Jan 87 p 3

[Article by Zhuo Jiong (0587 3518); "Discussing Questions Related to Socialist State Ownership"]

[Text] Yugoslavia is the first country to deny socialist state ownership. Since [words indistinct] that socialist state ownership is the root of bureaucratism, they have established socialist ownership where the direct combination of the means of production and the labor force constitute the basic symbol for socialism. Nowadays, the Yugoslavian criticism of state ownership has gained wide acceptance and it influences our present opinion on the matter. However, I believe that state ownership is not to blame for bringing about bureaucratism; the latter is actually caused by both state ownership and the product economy. In a product economy, the state is taken as a large factory while the enterprise is only a workshop. This kind of economic system will certainly require centralization of power in the central government as well as management of the economy through administrative means; it is called by the fine-sounding name of a planned economy. In substance, it is a kind of enclosed, attritional or even wasteful economy that cannot bring the production initiative of the general working people into full play. This type of system is so confusing and disorderly that though it has experienced some changes in the face of delegating power, the centralization of power remains virtually unshaken within.

In fact, state ownership is public ownership. What this type of ownership needs to do for the time being is listed as follows: since the state owns the means of production and owns most of the residual value, it exercises macro-economic control. Bureaucratism will not occur in cases where the power over operations and administration at a micro-economic level can be fully handed down to enterprises. What we are now faced with is not a state ownership issue but a fundamental one in which enterprises do not have absolute power in monitoring their own operations and management.

The question of state ownership reform is mostly expressed in the shareholding system. Our inability to implement the system in the past is a natural consequence of the product economy, and it is the objective requirement of the commodity economy that leads us to today's advocacy of this system. Shares are a product of the capitalist commodity economy as well as large-scale socialized production. Large-scale socialized production requires the input

of a large quantity of capital and shareholding is a good means for obtaining capital. Taking this into consideration, we cannot regard the shareholding system as a reform but a succession. It will be called a reform only if we view it from a product economy angle. This type of reform in fact remolds the product economy system into a commodity one and does not really innovate state ownership.

A wrong impression has been created as a result of the state ownership reform. It seems that if state ownership is to be reformed into an ownership by enterprises, the state's ownership right to the means of production has to be entirely denied. This actually exaggerates the function of ownership rights and makes it look as if a commodity economy will not be able to develop if enterprises have no ownership rights over the means of production. This actually exaggerates the function of ownership rights and makes it look as if a commodity economy will not be able to develop if enterprises have no ownership rights over the means of production. In a capitalist society, as we can observe, both ownership rights and utilization rights (operation and management rights) are separated from each other. Therefore, Marx defines capital as ownership capital (share) and functioning capital. What capitalist enterprises have are merely utilization rights and not ownership rights.

The shareholding system is not only a question of ownership rights but also one related to commodities on a wider spectrum. It is because shares can be turned into commodities and be bought and sold, making capital circulation more active. As there is no such element known as a share in the product economy, capital becomes stagnant. The question of state ownership reform does not in this way relate to state ownership itself but is virtually an issue of the product economy.

Yugoslavia can be mirrored in examining whether state ownership should exist. Owing to its denial to recognize state ownership, the state becomes helpless in centralizing capital and even fails to have regulations within the Federal Republic. I think that the non-existence of state ownership is the sole reason which accounts for the prolonged anarchic condition that remains unsolved in Yugoslavia.

I think it would be a great handicap for a socialist country if it did not establish a strong public ownership system for the means of production. The all people's ownership that we now have is still in a stage of development; its inadequacy is not including all people in the ownership system is only a temporary phenomenon. Instead of linking with the commodity economy, state ownership is linked with the product economy; this explains why solely state ownership becomes unable to fit into the development of a commodity economy. The implementation of public shareholding is a way out but state ownership should not be denied in this case.

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CSO: 4006/361

ECONOMIC ZONES

SHENZHEN TRIES TO SOLVE OVERSTOCKING PROBLEMS

HK081036 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0735 GMT 4 Dec 86

[Text] Shenzhen, 4 December (ZHONGGUO XINWEN SHE)--Commercial circulation in Shenzhen has been in difficulties due to overstocking of a large quantity of commodities. Changing this situation has become a priority in Shenzhen's present economic work.

Shenzhen has made progress this year in terms of industrial output value, export, introducing foreign capital, and revenue. But its commercial circulation has proved definitely unfavorable. This has found expression in a drop in business and an increase in loss-incurring and debt-ridden enterprises. The overstocking of a large quantity of commodities is the main cause of this situation. Some group companies have long held in stock unsalable goods worth some 200 million yuan. A group company has taken various measures, but unsalable goods still account for 40 percent of its commodities in stock. The overstocking of unsalable goods has brought about stagnation in fund circulation.

The Shenzhen authorities have taken many measures, including running sales campaigns, to resolve this problem. Recently the city has further adopted a policy of encouraging enterprises to handle goods that have been kept too long in stock. For example, with the approval of the financial department and the department in charge, losses resulting from cutting the prices of, or scrapping overstocked commodities may be made up by deducting the profits this year or by deducting on an annual installment plan the profits earned during the coming three years, whereas financial, taxation, and monetary departments should provide the necessary support; overdue loans resulting from overstocking unsalable commodities or from the delay in capital construction may be extended interest-free from the date of extension; and enterprises are allowed to use part or all of their after tax profits to supplement their liquid funds or repay bank loans.

After only two months of implementation, these methods have proved effective in reducing the economic burden on enterprises and increasing their vitality.

However, experts here said that to completely extricate itself from its difficulties in commercial circulation, Shenzhen will probably have to bide its time until 1987, and that some enterprises will find it hard to escape the bad luck of being put out of commercial circulation and of going bankrupt. In

fact, 48 enterprises in Shenzhen closed down their business or transferred their assets last year. In the second half of this year, some badly managed, loss-incurring enterprises in Shenzhen have been given a time limit to make up their deficits; they will be treated as bankrupt enterprises if no improvement is made within that time limit. A month ago, Shenzhen formulated a provisional method for handling bankrupt enterprises. This method includes forbidding the manager of a bankrupt enterprise to assume a leading post within five years, as well as affixing the responsibility for the bankruptcy to the manager.

Stimulated by a "business fever," inflation took place in Shenzhen's circulation field and the percentage of social capital injected into the circulation field went beyond the normal level of equilibrium, thereby causing great difficulties to enterprises. Through reorganization and strengthening management, the authorities want to find a way to run commerce.

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CSO: 4006/324

ECONOMIC ZONES

BRIEFS

GOOD FINANCIAL SITUATION--At a recent financial conference, (Luo Xianrong), manager of the Central Bank in Shenzhen Special Economic Zone, said: This year, Shenzhen finances were enlivened, savings deposits increased by a wide margin, loans steadily increased, and the situation was better than expected. By the end of November, savings deposits in Shenzhen City amounted to 4.55 billion yuan, an increase of 59.59 percent over last year. Loans amounted to 6 billion yuan, an increase of 23.98 percent over last year. (Luo Xianrong) stated: The financial situation this year is good. The main reason is that production has developed, the economy has picked up, and the market improved. According to statistics, by the end of November the whole city's gross industrial output value had reached 3.09 billion yuan, an increase of 26 percent over the same period last year; foreign exchange income was \$289 million, an increase of 67 percent over the same period last year; and the gross export output value recorded an increase of approximately 20 percent over last year. In addition, since the third quarter, the market has become busy and capital turnover has speeded up. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 20 Dec 86 HK] /12913

CSO: 4006/324

DOMESTIC TRADE

CHINA DAILY: INTERREGIONAL COOPERATION SHOWS DEVELOPMENT

HK060544 Beijing CHINA DAILY in English 6 Feb 87 p 1

[By staff reporter Wang Gangyi]

[Text] Various forms of inter-regional economic cooperation are emerging in north China, breaking down the long-standing barriers between regions and departments that have hampered economic development in the past.

Preliminary figures issued by the local governments of Beijing, Tianjin, Hebei, Shanxi and the Inner Mongolia Autonomous Region show that organizations for economic and technical cooperation are developing fast in north China.

By the end of last year, there were more than 20,000 inter-regional projects, some involving more than 10 million yuan each.

In 1986 Beijing invested 130 million yuan in a dozen provinces to set up jointly managed centres to produce iron, cement and aluminium.

The municipal government of Tianjin put in 150 million yuan last year in neighbouring areas to open 42 raw-material production bases.

It is hoped that these bases will provide the city's metallurgical, chemical, building and food industries with 16 kinds of badly needed raw materials, a Tianjin official said,

Inter-regional cooperation was also helped to set up new industrial enterprises, especially those manufacturing prize-winning, high-quality goods.

There were 1,984 such enterprises by the end of last year in Tianjin, Hebei and Inner Mongolia, combining production and technological skills with more than 15,000 enterprises in 20 provinces and regions.

But it was in the field of merchandise distribution that such cooperation developed most rapidly in the past year.

Sales of industrial and consumer goods through an agent system reached 6 billion yuan in north China last year.

During the same period, the City of Tianjin bought goods worth 600 million yuan from 28 provinces and cities for export, an increase of 160 percent over the previous year.

North China has also set up 11 economic or technical co-operation organizations with neighbouring areas, including the Central China Economic and Technological Coordination Committee and the Around Bohai Sea Economic Coordination Zone.

Official from Beijing and Tianjin said that cooperation with the provinces has helped their cities structural adjustment by transferring plants requiring large amounts of energy to the provinces of Henan, Shanxi, Ningxia and Guizhou, where there are ample raw materials.

At the same time, they also encouraged these provinces to develop service industries in the two cities.

A Beijing official said that last year the city brought in 330 such enterprises, most of them small medium-sized restaurants, many specializing in regional cuisines. With the blessing of the central government, inter-regional cooperation--popularly known in China as horizontal links--witnessed a rapid and smooth development across the country's urban and rural areas.

New policies involving investment protection, avoiding double taxation, arbitration, investment quotas and production targets have been drafted by both the central and local governments to reflect the changing industrial structure.

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CSO: 4020/112

FINANCE, BANKING

FOREIGN BANKS REASSURED ON PROTECTION OF RIGHTS

HK040333 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
4 Feb 87 p 1

[Article by Olivia Sin]

[Text] China will honour its contractual commitment to four foreign banks that have issued a High Court writ in Hong Kong against a state agency for alleged default of payment of more than \$47 million, a Guangdong provincial official said.

Zhang Lie, deputy director of the Guangdong Foreign Economic Relations and Trade Commission, yesterday said the banks' interests and be protected. [as received]

The writ against Haibin Hotel in Zhanjiang City was filed last week by the Hong Kong and Shanghai Banking Corp, WestLB Asia Ltd, Amsterdam-Rotterdam Bank and Wardley Ltd.

Foreign banks are watching the issue closely, as it may set a precedent for such cases.

The hotel, established by a Hong Kong-China joint venture, has been controlled by Zhanjiang authorities for the past three years. Hong Kong based Wing Wah Agency Co Ltd left the venture after encountering financial difficulties.

The hotel guaranteed a \$115.68 million facility extended by the four banks to Wing Wah.

Mr Zhang said he hoped a new foreign party could be found to fill in the space left by Wing Wah to provide fresh funding for the hotel. He said negotiations were already under way with interested parties.

He said China recognised the validity of the loan guarantee, though it was not properly arranged.

"The foreign investor did not contribute any capital for the project. The hotel provided a 100 percent guarantee for the loan," he said. "It is unfair

that the Zhanjiang Government must take full responsibility now that the foreign party has got into trouble.

"There should have been a counter-guarantee from the foreign investor to make sure that he would pay to the banks the money earned from the hotel."

Nevertheless, he admitted that the mistake was made because China had little experience in handling foreign investment at the time the agreement was signed.

"China will suffer losses in this case. But we will honour our contractual commitments, as is China's state policy," he said.

The chairman of Haibin Hotel, Gu Jiang, is known to have spent his Lunar New Year holiday in Guangzhou seeking help from provincial authorities to resolve the legal dispute.

Mr Gu, who is also the director of Zhanjiang's Foreign Economic Relations and Trade Committee, could not be reached for comment.

Mr Zhang said that because Zhanjiang was under the control of Guangdong, the province would assist the city.

He said meetings would be arranged between Zhanjiang and the banks as soon as possible in the hope of settling out of court.

The hotel has been profitable in the past few years, he said.

A spokesman for the hotel claimed it had fixed assets worth more than \$100 million, and as such, could easily repay the loan.

He, too, said the hotel was profitable and that it had paid back more than \$7 million to the four banks.

The luxurious bungalow-style hotel is popular among businessmen involved in South China Sea oil exploration. Zhanjiang is a designated logistics base for the offshore oil drilling program.

The first phase of the hotel, comprising 200 rooms in 13 bungalows, was completed in 1981. The second stage of 400 rooms and 200 suites is only partially completed.

The total investment required for the project has been estimated at \$125 million. About \$54 million was drawn from the \$115.68 million facility the banks extended to Wing Wah.

Hotel industry sources said a large number of joint ventures established before 1985 were financed under loan agreements similar to that of the Haibin Hotel.

But Chinese authorities have realised that to guarantee loans for joint venture projects in which foreign investors provide little or no equity is hardly fair.

In 1985, China issued a debt-equity ratio requirement to tighten control over foreign investments. That ruling, which applied to joint ventures and wholly foreign-owned ventures, required that a specified proportion of the investment in the venture be derived from the registered capital of the foreign investor.

China has also become more selective about the loans it guarantees. Only a few dozen Chinese institutions that have foreign exchange reserves are authorised as guarantors by the People's Bank of China, the country's central bank.

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CSO: 4020/116

FINANCE, BANKING

BANK OF CHINA BONDS CAUSE 'RUSH TO BUY'

HK050640 Beijing CHINA DAILY in English 5 Feb 87 p 2

[Article by staff reporter Xie Songxin]

[Text] The issue of bonds by the Agricultural Bank of China has caused a rush to buy at branches of the bank in Beijing, since they went on sale on Tuesday.

Beijing citizens, used to lining up in front of shops, began to queue early in the morning, with bundles of cash.

At the branch of the bank in Xidan, one of the city's major commercial centres, people began to line up at 5 am yesterday and by 8 am, half an hour before the bank opened, some 200 people were waiting to buy the bonds.

In front of the Loumashi Bank in Xuanxu District, a long human line was visible along the narrow street.

For many bank clerks, it was the first time they had handled so much cash. A small bank in Guozhixiang didn't know how to deal with the 1.27 million yuan (\$342,000) cash it had accrued after the close of business late on Tuesday evening.

Most of those queuing had 3,000-4,000 yuan (\$800-1,080) cash in their pockets. Some left their jobs especially to make the purchase.

With bundles of cash in hand, an old man, guided by his three sons, walked into a bank in Rendinghu, north Beijing, on Tuesday and purchased 120,000 yuan (\$32,300) of bonds.

"We did not expect that so many people would come to buy" bank officials gasped. Beginning from yesterday, banks had to issue numbers to buyers who came earlier and close their doors an hour later than usual.

"It's no use you lining up here, because everyone in the line has a number," one buyer told a latecomer.

Banks sold more than 13 million yuan (\$3.7 million) of bonds on the first day, said Chang Tongzhong, an official of the Beijing Branch of the Agricultural Bank. Yesterday's sales were expected to be higher.

The Xidan branch sold 1.46 million yuan (\$393,000) worth on Tuesday and yesterday's figure was expected to go above 2 million yuan, Tian Jianwan, director of the bank, told CHINA DAILY.

At this rate, the 40 million yuan (\$13 million) in bonds, allocated by the Agricultural Bank to be sold in Beijing's urban districts will be sold out within a week, officials predicted. Another 50 million yuan (\$16 million) are being sold in the city's rural areas, where sales are better than last year, when the city sold 83 million yuan (\$22 million) of bonds within five months.

This year, the Agricultural Bank is selling 1 billion yuan (\$296 million) nationwide, compared with the first issue of 1.5 billion yuan (\$400 million) in 1985.

The bonds attract Beijing buyers because their interest rate is as high as 9 percent a year, 25 percent higher than the yearly rate for fixed bank deposits.

The money raised will be used as special loans for the development of farming, industry, commerce and self-employed businesses in rural areas, Chen Jie of the Beijing branch bank said. Interest on the loans will be at a maximum rate of 10.8 percent, higher than for ordinary loans.

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CSO: 4020/116

FINANCE, BANKING

HEAVY TRADING AT OPENING OF BEIJING MONEY MARKET

OW031926 Beijing XINHUA in English 1538 GMT 3 Jan 87

[Text] Beijing, January 3 (XINHUA)--Transactions totaling 550 million yuan were concluded in about two hours after the opening of Beijing's first money market today.

Crowds of people, including on-lookers, thronged at the market in Hongqiao near the temple of heaven, which offers services in inter-bank borrowing and lending, exchange of stocks and negotiable securities and financial consultation.

The Beijing branch of the Industrial and Commercial Bank of China ranks among the top few banks in major Chinese cities in terms of assets.

"The money market helps streamline the circulation of funds between Beijing and provincial banks," a bank official said.

The Beijing bank and 13 other financial departments took part in today's transactions.

The Beijing Tianqiao Department Store Co. Ltd. offered 305,000 yuan worth of stock for sale. "Most buyers were individuals," an official from the company told XINHUA.

One was a young lady, who bought 30,000 yuan of the company's stock for her husband, who is running a school factory in Shunyi County.

"We bought stock from this company because it has a good reputation, high dividends and no risks," she said.

The Tianqiao company offered interest and dividend rates 1,000 percent higher than those offered by banks.

Zhang Xiao, president of the Industrial and Commercial Bank of China, told XINHUA, "In the first eleven months last year, the savings deposits of my bank climbed by 49.9 billion yuan, 33.7 billion yuan more than the same period of 1985." Now the bank has set up 12 networks to promote fund circulation," she said. "More than 20 billion yuan were borrowed and lent between the banks over the past year."

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CSO: 4020/116

FINANCE, BANKING

BRIEFS

TREASURY BOND ISSUE--Beijing, February 10 (XINHUA)--This year China will issue treasury bonds totalling six billion yuan (1.6 billion U.S. dollars), the same amount as in 1986, according to the State Council. Treasury bonds were first issued in 1981, and this year one third will be sold to state and collective enterprises, government organizations, army units and private industrial and commercial businesses, with the rest going to individuals. The five-year bonds will have an annual interest rate of six percent for units and enterprises and 10 percent for individuals. Between 1981 and 1986, China issued treasury bonds totalling 23.7 billion yuan (6.4 billion U.S. dollars). [Text] [Beijing XINHUA in English 1454 GMT 10 Feb 87 OW] /6662

GRAIN PRODUCTION AID--Beijing, December 31 (XINHUA)--China's rural financial departments have granted more loans for grain production this year in a bid to raise the output, the ECONOMIC DAILY reported today. Estimates show that the number of farmers who received loans this year for grain production increased by 16 percent over last year. Rural financial departments also allocated 10.5 billion yuan (about 2.835 billion U.S. dollars) to buy grain and other major agricultural produce at market prices, said the report. At the same time, loans to rural enterprises increased by 8.3 billion yuan (about 2.24 billion U.S. dollars), and it is estimated that investments in grain production yielded five times more in output value, according to the newspaper. It is estimated that China's grain output may reach more than 390 million tons, over 10 million tons more than last year. [Text] [Beijing XINHUA in English 0631 GMT 31 Dec 86 OW] /6662

CSO: 4020/116

INDUSTRY

INDUSTRIAL OUTPUT SEES STEADY GROWTH IN JANUARY

OW100435 Beijing XINHUA Domestic Service in Chinese 1225 GMT 9 Feb 87

[By reporter Ge Daxing]

[Text] Beijing, 9 February (XINHUA)--China's industrial production, which grew steadily during the first year of the Seventh 5-Year Plan, continued to advance in January.

According to a State Statistical Bureau bulletin, production in January conformed more to social and market needs. Compared with January 1986, power output in January this year increased 8.3 percent, reaching 38.52 billion kwh; and better performances in such major sectors as crude oil, gasoline, natural gas, steel, soda ash, sulfuric acid, and ethylene have also improved material conditions for national economic development. The output of light industrial, textile, and electronics goods, as well as other popular commodities in short supply, continued to increase substantially, and output of color television sets, household refrigerators, woolen yarn, beer, and dairy products increased by 10 to 60 percent. Output of industrial goods for agricultural production picked up quickly. Compared with the same period last year, output of chemical fertilizer increased by 23.6 percent, insecticides by 18.3 percent, and tractors by 46.2 percent in January 1987.

Although the number of workdays in January was shortened by 3 owing to the spring Festival, the nation's total industrial output--not including output of enterprises operated by villages or smaller units--still reached 72.1 billion yuan in January, topping that of the same month last year by 5.7 percent. Of the 100 major industrial goods, the output of 68 registered an increase. Of the nation's 29 provinces, municipalities, and autonomous regions, the industrial output of all but 5 increased in varying degrees. Of these 5, the output of 4 dropped slightly, and 1 remained unchanged. This shows that the industrial sector was able to maintain the normal development momentum achieved since the beginning of 1986.

Last year, China's industrial growth gradually picked up after a slow start. According to economic experts, growth will continue for some time, and will then slow down somewhat. They noted that, since power and capital shortages, as well as strained transportation services, will become more noticeable, untiring efforts are essential for sustained production growth.

Departments concerned have stressed that continuous efforts must be exerted to restructure enterprises, broadly carry out the movement to increase production and revenue, conserve resources, and cut expenses, work hard to achieve better economic results, and intensify commodity circulation in order to ensure a sustained production growth during the second year of the Seventh 5-Year Plan.

INDUSTRY

INDUSTRIAL PRODUCTION UP 5.7 PERCENT IN JANUARY

OW100842 Beijing XINHUA in English 0822 GMT 10 Feb 87

[Text] Beijing, 10 Feb (XINHUA)--China raised its industrial production by 5.7 percent in January to 72.1 billion yuan (U.S. \$19.47 billion), according to the State Statistics Bureau.

Production value in light industry increased by 5.6 percent and that in heavy industry climbed by 5.8 percent, said the bureau, adding that collectively-owned enterprises raised production by 11.7 percent.

According to the release by the bureau, raw materials production continued its increase in the first month while farming materials production recovered from the previous slow growth.

Household electrical appliance production jumped by a big margin during the period due to the shopping spree over the spring festival. The bureau reported an increase in production of color television sets by 27.1 percent, cassette recorders by 29.3 percent and refrigerators by 65.9 percent.

The bureau interpreted the growth as stable and attributed it to improved supplies of materials, money and energy, and better transportation. It further predicts the growth rate of the first quarter at 10 percent and slightly lower rates afterwards.

The bureau also pointed out that inadequate electricity supply is seriously hindering growth in some parts of the country, and the country lacks foreign exchange for importing raw materials for the production of certain consumer goods.

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CSO: 4020/114

INDUSTRY

LIGHT INDUSTRY URGED TO RAISE STANDARDS

HK090532 Beijing CHINA DAILY in English 9 Feb 87 p 1

[Article by staff reporter Xu Jie]

[Text] China's light industry has been urged to shift its emphasis from "crudely-processed goods to more sophisticated products" so as to compete on the world markets and help pay for the country's modernization.

Hao Jianxiu, member of the Chinese Communist Party Central Committee Secretariat, told the opening session of a national conference on light industry yesterday in Beijing that China's light industry faced two major tasks. "One is to produce more refined goods and the other is to re-orient its coastal production centers from the domestic to the overseas market," she said.

"These tasks should be fulfilled mainly through technical renovation and self-improvement, but not through heavy capital investment because you can not expect the state to invest so much more in the industry," she added.

Light industry constitutes an important source of China's national income and export earnings. Over the past few years, the country has been depending on its light industry for about 20 percent of its financial and foreign exchange incomes and 35 percent of its consumer goods supply, the conference was told.

Last year, the total output of China's light industry was valued at 172.6 billion yuan (U.S. \$46.6 billion), an increase of 11.5 percent over 1985. "At this rate, the industry can produce an output value equal to the total value of its fixed assets in just 14 months," the conference was told.

Products from light industry range from such essentials as soap and toothpaste to shoes, bicycles and tobacco, demand for which has been growing steadily.

Last year, the value of the country's total retail sales was a record 560 billion yuan (\$151 billion), an increase of 13.1 percent over 1985. "And 80 percent of this amount was spent on consumer goods, totaling 493.6 billion yuan (\$133 billion)." This year another increase is expected in the demand for "more and better" consumer goods, according to a Ministry of Commerce estimate.

China's light industry has grown 35.8 times in the past 37 years since 1949, while the state has invested a total of 27 billion yuan (\$7.3 billion) in developing light industry during the same time. The industry has, meanwhile, reinvested another 20 billion yuan (\$5.4 billion) of its profits for its own expansion, the conference was told.

The conference is expected to hear a report by Yang Bo, minister of light industry, today on the industry's goal of reform and development for the next four years.

Hao Jianxiu, a national model worker in the 1950's, also told the conference that China's light and textile industries are "the most promising sectors" in boosting exports. "The light industry has great potential in this respect, because it enjoys the advantage of this country's rich natural resources," she said.

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CSO: 4020/114

INDUSTRY

BRIEFS

LIGHT INDUSTRY ACHIEVEMENTS--Beijing, 14 Jan (XINHUA)--China's light industry made notable achievements in 1986 with 239 technical advances, the ECONOMIC DAILY reported today. The advances were made in new techniques, products, machine components, parts and raw materials. An average of nearly 10 new products were developed everyday last year. As a result the arts and crafts sector, a leading exporter in the industry, earned U.S. \$30 million more last year than in 1985 while the leather trade exported three million more pairs of shoes. The paper-making sector boosted output by an additional 65,000 tons of newsprint worth almost U.S. \$30 million. In the coastal areas, 98 export-oriented factories that make canned food, leather, clothing, ceramics, furniture and fireworks were updated. [Text] [Beijing XINHUA in English 0649 GMT 14 Jan 87 OW] /9738

COASTAL CITIES PRODUCTION INCREASING--Beijing, 10 Feb (XINHUA)--Reports from eight of China's open coastal cities show that each of them has an annual industrial output value of more than ten billion yuan. The eight cities are Shanghai, Tianjin, Guangzhou, Ningbo, Dalian, Qingdao, Nantong and Yantai. China has 14 open coastal cities as well as 4 special economic zones along the coast. Yantai, in east China's Shandong Province, increased its industrial production last year by a hefty 21.7 percent over 1985, the highest increase rate among the eight cities. [Text] [Beijing XINHUA in English 0656 GMT 10 Feb 87 OW] /9738

MINISTRY'S NEW PRODUCTS--Beijing, 10 Feb (XINHUA)--Every day last year, China's light industry developed ten new products on average, according to a survey by the country's Ministry of Light Industry. The ministry quickened its pace last year to adapt to faster changes in markets and consumer preference for new products, said the ministry. The ministry plans to develop some 6,000 new varieties of textile products to replace 20 percent of the existing ones in the years 1987-1990. It will place emphasis on developing new products in the areas of sets of furniture, cooking utensils, small household electrical appliances, electronic toys and cosmetics. [Text] [Beijing XINHUA in English 0252 GMT 10 Feb 87 OW] /9738

FOCUS ON TEXTILE MACHINERY--Beijing, 11 Feb (XINHUA)--China will focus on developing better textile machinery during the 1986-90 period, according to the textile industry ministry. Equipment for the manufacture of acrylic, polyester and chemical fibers will be developed, new spinning machines such as shuttleless looms will be introduced in cotton textiles, and artificial wool and wool-blend fabrics will be perfected. According to the ministry, "China will turn out better knitting machines to meet market demand, and raise the standards of printing and dyeing equipment." The ministry is expected to produce cotton textile machines up to the world's most advanced level within the next four years. [Text] [Beijing XINHUA in English 1555 GMT 11 Feb 87 OW] /9738

CSO: 4020/114

AGRICULTURE

PREPARATIONS WELL IN HAND FOR SPRING PLOWING

OW061250 Beijing XINHUA in English 1118 GMT 6 Feb 87

["Preparations Well in Hand for Spring Ploughing"--XINHUA headline]

[Text] Beijing, 6 Feb (XINHUA)--More than 38 million Chinese peasants have taken part in water-conservancy projects since the beginning of the winter to ensure another good harvest in grain and other crops this year, a senior Chinese agricultural official said here today.

Speaking at a news conference, Chen Yaobang, vice minister of agriculture, animal husbandry and fisheries, said the peasants have built, restored and improved irrigation facilities for a total land area of 870,000 hectares, and improved 530,000 hectares of waterlogged lowland.

Meanwhile, preparations for the coming spring ploughing season and field management of summer crops is in full swing, he added.

Guided by the principle of ensuring adequate grain production, the vice minister said, localities throughout the country have made comprehensive plans for planting.

According to these plans, 110 million hectares will be devoted to grain; 4.66 million, to cotton; 11.33 million, to oil-bearing crops; and 1.33 million, to sugar crops this year.

The vice minister disclosed that the government has decided to invest this year a total of 1.1 billion yuan (about 300 million U.S. dollars) in grain production and the building of commodity grain bases.

At the same time, production of chemical fertilizer, diesel oil and plastic sheeting will be increased by ten percent, 15 percent and 20 percent, respectively. More effective pesticides will also be turned out.

Commercial, transport and materials departments have been called upon to guarantee the supply of these materials, he said.

Owing to the application of new technology, better-quality materials and seeds, and favorable weather, winter wheat in most parts of the country is growing well, the vice minister said.

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CSO: 4020/113

AGRICULTURE

FARMERS PRODUCTION NEEDS EXPECTED TO RISE

HK040752 Beijing CHINA DAILY in English 4 Feb 87 p 2

[Article by staff reporter Zhu Ling]

[Text] The State Statistics Bureau is expecting a huge demand by Chinese farmers for more fertilizers, vehicles and building materials this year to improve their land and increase their income.

With the sweeping progress in the diversified rural economy, Chinese farmers are expected to invest heavily to increase production.

This forecast follows a nationwide survey of 33,125 rural families in 511 counties. The survey is giving China's industries a clear idea of how to plan production targets.

The bureau noted that the survey showed that the country's farmers were keen to invest in new facilities as their income steadily rose.

According to the survey, Chinese rural households will spend an average of 344 yuan (\$90) on new production methods, fertilizer and pesticides this year--an increase of 70 percent over 1985.

In 1987, every rural household will need to buy 465 kilograms of fertilizer--89.5 kilograms more than in 1985.

The survey has shown that Chinese farmers mostly prefer urea and compound fertilizer, followed by phosphate and potash fertilizers.

"Farmers now want industries to produce granulated fertilizer containing several elements and they are also asking for hard and durable packaging," the bureau said.

This year, each rural household will buy four kilograms of pesticides--33 percent more than in 1985.

Farmers want more varied pesticides for different plant diseases. They are also asking for detailed illustrations attached to the pesticides which should be properly packed.

There has also been a dramatic rise in the demand for membrane for agricultural production. Every rural household will need two kilograms of membrane this year, 140 percent more than in 1985.

And the demand for diesel oil, gasoline and coal should rise dramatically, said the survey. In recent years, China's countryside suffered from a shortage of energy, restricting farmers' purchasing power. Despite this, between January and September last year, farmers bought 100 percent more diesel oil and 65 percent more coal than in the same period in 1985.

This year, every farm will need an average of 40 kilograms of diesel oil, five kilograms of gasoline and 302 kilograms of coal, up 260 percent, 250 percent and 400 percent respectively over the 1985 demand.

The survey says that for every 10,000 rural households, 29 are expected to buy motor vehicles this year, nearly five times greater than in 1985.

According to the bureau, Chinese farmers are keen to improve their living conditions as their incomes increase. In the meantime, the peak season is approaching for more young people to get married.

Over the past two years, the bureau said, there have been price rises in building materials which have been in short supply. But in the first nine months of last year, Chinese farmers' purchases of cement, glass and steel was 250, 230 and 250 percent more than the figures respectively for the same period in 1985.

This year, every 100 rural households will buy 72.5 cubic metres of timber, 20,691 kilograms of cement, 187 square metres of glass and 1,903 kilograms of steel products, up 410, 140, 600 and 270 percent respectively on the purchase figures in 1985.

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CSO: 4020/115

AGRICULTURE

JOURNAL SAYS GRAIN OUTPUT TO REACH 1984 PEAK

OW080300 Beijing XINHUA in English 0200 GMT 8 Feb 87

[Text] Beijing, 8 Feb (XINHUA)--Chinese farmers will be able to harvest 407.3 million tons of grain this year if "per-hectare output on a provincial basis meets the previous record," according to the journal, OUTLOOK WEEKLY.

TKis means China's grain output will reach the 1984 peak, an article in the weekly published today said, adding that the country's grain-sown area is set at 110 million hectares this year--267,000 hectares more than in 1986.

"The only way for us to achieve this goal is to increase input and raise per-hectare grain output," it went on, "and there is enormous potential in this regard." For example, last year's grain output in 20 provinces, municipalities and autonomous regions did not reach the previous peaks.

The article also listed the following figures to illustrate the reasons for a possible all-round good harvest in China this year:

--Cotton will be grown on 5.13 million hectares, 667,000 hectares more than in 1986;

--Oil-bearing crops will be sown on 12.2 million hectares, an increase of 667,000 hectares, and

--Sugarcane and sugar beet will be planted on 1.59 million hectares, a rise of 100,000 hectares.

The article assured Chinese farmers that they will enjoy "abundant supplies of chemical fertilizers and pesticides, and most crop seeds this year."

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CSO: 4020/113

AGRICULTURE

STATE COMMISSION PLANS HIGHER GRAIN, COTTON OUTPUT

OW111225 Beijing XINHUA in English 1110 GMT 11 Feb 87

[Text] Beijing, 11 Feb (XINHUA)--China is planning to bring about another upsurge in grain output this year to match the record 1984 harvest, and a big increase in cotton and other crops.

China produced more than 450 million tons of grain in 1984, hitting an all-time high since 1949. The cotton output last year is expected to amount to 3.5 million tons.

This year the central government will allocate nearly 40 percent more funds to capital construction in the rural areas, which will be used mainly for large water conservancy projects, developing grain production bases and other big projects, according to the State Planning Commission.

While stressing grain production, China also plans to boost forestry, animal husbandry, fisheries and planting of economic crops like cotton, edible oil, sugar and tobacco in order to make the total agricultural output value greater than last year's.

The commission said the 1987 cotton output is expected to exceed 4.25 million tons--the average standard set for the Seventh 5-Year Plan period (1986-1990).

Plans have also been made to improve supplies of chemical fertilizer, diesel fuel, plastic sheeting and pesticides.

According to an initial program, the government is able to provide 88 million tons of chemical fertilizers, nearly 10 million tons more than in 1986; 8.46 million tons of diesel fuel, 1.1 million tons more; and 267,000 tons of plastic sheeting.

In the meantime, the State Economic Commission has set up a special leading group to coordinate the support of industrial departments for farm production.

Jiangsu Province expects a grain output of at least 32 million tons this year. It will allocate 20 million yuan (5.4 million U.S. dollars) to build large water conservation projects and solicit 300 million yuan from rural industrial enterprises to aid in crop protection, irrigation and mechanized cultivation.

The province will also set aside 65 million yuan to expand high-yield farmland, breed improved seed varieties and popularize advanced agrotechniques.

Chemical fertilizer, plastic sheeting, improved seeds and new technology will be imported, and local banks will grant more loans, according to a local report.

Jiangsu has been self-sufficient in grain for three years, with an annual average of 0.5 tons per capita. It has also distributed 1.25 million tons of grain among other provinces and regions annually since 1984.

In Zhejiang Province, local government has managed to expand the area sown with grain to 33.27 million hectares, 107,000 hectares more than last year.

It also plans to improve the area sown with high-yielding seeds from 80 percent to 95 percent and hopes to reap 15 tons of grain per hectare in ten major grain-producing counties.

Reports from Fujian Province also show that the work to improve field management and irrigation systems is going smoothly. In the past winter, 400,000 hectares of fields have been sown with grain and other crops, 20,000 hectares more than expected. The province will also import fertilizer to meet the demand.

Shanghai has worked out preferential measures to increase farm investment and stabilize animal husbandry. It has set a target of two million tons of grain and 2,500 tons of cotton this year. The rural counties are also expected to provide more meat, fowls, eggs and freshwater fish.

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CSO, 4020/113

AGRICULTURE

CONCERTED EFFORTS URGED IN HEBEI WHEAT PRODUCTION

Shijiazhuang HEBEI RIBAO in Chinese 11 Nov 86 p 1

[Article by the HEBEI RIBAO Rural Economics Department Observer: "Work Together as One Man to Serve Well and Guarantee Sturdy Wheat Seedlings"]

[Text] The autumn wheat sowing has already been completed in Hebei. A look at statistics compiled by the Hebei Department of Agriculture shows that Hebei sowed an area of 35.7 million mu, or 2.3 million mu less than planned. This area is also nearly 2 million mu less than we cultivated this past summer, and the cultivation base was not as good as it was in 1985. Most places in Hebei, little high-quality chemical fertilizer or phosphatic fertilizer has been applied, the soil moisture is poor, and seedling gaps and broken rows are a real problem. Late wheat has increased 10 percent over 1985. In some places wheatless townships, villages, and households have appeared. In most places, after the wheat was planted farmers rushed to enhance field management, reseeded where there were gaps in the seedlings and broken rows, used surface sprinkling and deep watering where there was low soil moisture, undertook follow-up fertilizer applications where soil fertility was insufficient, and adopted emergency remedial measures. However, there are still a considerable number of places where the quality of wheat seedlings is rather poor.

This year these problems have arisen in wheat production, and one reason is that the weather has been extremely dry. In Hebei 9 years out of every 10 are dry, but this year the major wheat growing area in southeastern Hebei has experienced a continuous severe drought. During July, August, and September average rainfall was about 30 percent less than normal all over Hebei, and around 60 percent under normal in Handan Prefecture, Handan City, Xingtai Prefecture, and Xingtai City. Usable surface water has shrunk drastically, groundwater continues to decline, and the water content of the soil has dropped by a large margin. This has presented us with enormous problems in 1986 autumn wheat production. Another cause of these problems has been the shortage of petroleum and electricity. Although electric power, supply and marketing, commercial, and agricultural departments have adopted many measures, they are still far from able to meet the needs of wheat cultivation. Still another cause is that the supply of chemical fertilizer and other production materials falls short of demand. The shortfall is too great. We need to apply 1.5 million tons of phosphatic fertilizer to cover all the wheat fields in Hebei, yet the supply norm measures only 500,000 tons. As for high-

quality chemical fertilizers needed for growing wheat, such as diammonium phosphate, there is a great disparity between the quantity we have and the quantity we need, and prices are high. People report that one bag of diammonium phosphate costs 50 to 60 yuan or even up to 70 yuan or more.

In terms of area sown, the 1986 autumn wheat crop is no smaller than the 1983 and 1984 wheat crops. But this conceals the danger of reduced output. If management work, particularly safe overwintering tasks, are not done well, it will be merely hollow rhetoric to speak of striving for a bumper wheat harvest in 1987. All levels of leadership should immediately organize rural cadres, masses, and the vast body of scientific and technical personnel at the grassroots level to concentrate on studying the problem of safe overwintering for this year's wheat crop. At the same time, they should open up sources of diesel oil and chemical fertilizer (primarily diammonium phosphate and urea), and actively arrange to bring them into Hebei so we can prepare adequately to oversee the wheat greening next spring. They should also expand water sources and study the issue of water-saving irrigation. Meteorological departments report that rainfall will continue to be slight in the wheat-producing region this winter and next spring. If so, drought prevention tasks to protect the wheat next spring will be extremely difficult. Consequently, at the same time as we prepare for safe overwintering and spring management, we absolutely must not slack off on management during this pre-winter phase. Right now there are some wheat fields in which the dry soil layer extends 2 to 3 chi deep. A little irrigation will barely preserve wheat germination. Wheat seedlings are already dying on some tracts of land. We must now concentrate our efforts on resolving irrigation problems, using not only surface sprinkling and deep watering, but freezing water as well, and integrate irrigation with follow-up applications of chemical fertilizer and phosphatic fertilizer. For late wheat we should adopt top dressing methods to preserve soil temperature and moisture, promote early and rapid sprouting, improve the quality of wheat seedlings, and enhance the capacity for safe overwintering. In the patterned wheat planting on 1.5 million mu throughout Hebei, we must conduct management in strict accordance with the technological essentials and guarantee a bumper yield and a bumper harvest. Hebei is poor in water resources, so each area should also make a great effort to study water-saving measures, increase the irrigated wheat field area, and expand irrigation benefits. In short, all areas must use every means at their disposal to manage the wheat that has already been planted, promote healthy development, and improve the quality of individual wheat seedlings in order to ensure that the late wheat crop and third-class seedlings become first- and second-class wheat.

Striving for a bumper 1987 wheat harvest is not solely the concern of agricultural departments: water conservation, supply and marketing, commercial, electric power, science and technology, agricultural machinery, and transportation departments and industries all bear an undeniable responsibility. These departments and industries must cooperate closely with agricultural departments at all levels, under the guidance of every level of government, to promptly supply every farming household with the oil, water, electricity, fertilizer, mulch, and scientific and technical expertise needed in wheat field management. They must deliver these materials to the very edges of the fields and help farmers manage the wheat right up to the bumper wheat harvest in 1987. It is hoped that people in every position in Hebei will use the most beautiful melodies to compose a new song of united efforts to achieve a bumper harvest. Everyone should make a personal contribution to achieving a gross output of 8 billion kg in the 1986 summer grain harvest.

AGRICULTURE

MORE FARMLAND USED FOR AFFORESTATION IN 1986

OW060500 Beijing XINHUA in English 0253 GMT 6 Feb 87

[Text] Beijing, 6 Feb (XINHUA)--Chinese peasants in 16 provinces, municipalities and autonomous regions turned over a total of 400,000 hectares of farmland for afforestation purposes in 1986.

In order to expand green areas for water and soil conservation, the Chinese Government has decided that sloping fields steeper than 25 degrees, unsuitable for grain production, should be surrendered for planting trees and grass.

It is calculated that there are more than 6.6 million hectares of such farmland across the country, and most of it was originally reclaimed from bare hills, according to the SCIENCE AND TECHNOLOGY DAILY.

To promote the nationwide drive, many local authorities have begun to provide economic subsidies. For example, a farmer in the Ningxia Hui Autonomous Region can receive 210 yuan (about 56.7 U.S. dollars) for using one hectare of his reclaimed land to plant trees and 120 yuan (32.4 U.S. dollars) for growing shrubs.

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CSO: 4020/113

AGRICULTURE

FUJIAN URGED TO INTEGRATE FARMING, STOCK FARMING

Fuzhou FUJIAN RIBAO in Chinese 7 Nov 86 p 3

[Article by Liu Zhongzhu [0491 0022 2691], director of the Fujian Academy of Agricultural Sciences: "Convert Fujian From an Agricultural District to an Integrated Agricultural and Stock Farming District"]

[Text] New Problems

In the process of achieving agricultural modernization Fujian has run into some extremely troublesome problems. Primary among these are high population, scarce arable land, environmental pollution, and a declining capacity to regenerate natural resources, as well as resulting grain shortages and imbalances between supply and demand. In 1985 Fujian had 0.7 mu of arable land and 295 kg of grain per capita--both less than the national average. In order to meet normal calorific and protein intake levels for the people of Fujian, by the end of the century we will have to supply approximately 12.75 to 13.75 million tons of grain. This means we will have a 2.25 to 2.50 million ton shortfall. If we continue to follow the route we have followed in the past, it will be difficult to solve our grain problem. Moreover, only 10 percent of the calories and 10.5 percent of the protein in the Fujian diet come from animal foods--far less than the 17 percent and 33.4 percent world average. As the standard of living rises in Fujian, the discrepancy between the supply of animal foods and the demand for them will grow more prominent day by day, just as it does for grain.

Fujian is located in the subtropical zone and is blessed with excellent geographic and climatic conditions for agriculture, as well as abundant sunlight, heat, and water resources. These resources are currently far from being fully exploited. The multiple crop index has fallen from a historic high of 211 percent to a low of 185.2 percent in 1985, and most agricultural fields lie idle for one-third of the year. Some traditional crop rotation and intercropping techniques are being neglected, and the livestock industry is restricted by insufficient feed and slow development. A large volume of agricultural remnants are not valued as they should be, and natural resource advantages have yet to be translated into commercial economic advantages.

This compels us to do some new thinking and come up with new options for future agricultural development. Based on an appraisal of the above

situation, one agricultural development strategy open to Fujian is as follows: Given that we guarantee a stable increase in grain production, we should make the best use of natural resource potential, vigorously develop animal husbandry, build Fujian's vast agricultural region into a modern integrated agricultural and stock farming region, and lay a foundation for achieving overall agricultural economic growth.

The Source of Our Potential

The integration of agriculture and animal husbandry is an inevitable trend of modern agricultural development. According to UN FAO Yearbook data, in 1980 Canada had a livestock industry ratio of 65 percent and a grain supply of 1,759.5 kg per capita; the United States had a livestock industry ratio of 43.1 percent and a grain supply of 1,452.5 kg per capita; in France these two indexes measured 54 percent and 922.5 kg, respectively; in the Soviet Union they measured 53 percent and 777.5 kg; and in China they measured 13 percent and 324 kg. A high livestock industry ratio is a major characteristic of agriculture in developed countries, and this is by no means fortuitous. Rather, it is an inevitable reflection of the objective law of agricultural economic development and the internal relations between animal husbandry and cultivation.

Fujian's advantageous geographical position and abundant agricultural resources provide excellent conditions for developing animal husbandry. Growth in the livestock industry depends primarily upon two factors: livestock breeds and fodder. As far as Fujian is concerned, the major limiting factor is fodder. Because arable land is insufficient, we are short of grain and have long been unable or have not dared to give animal husbandry the status and emphasis it deserves. This reflects the fetters of traditional agricultural ideas. We need only break free of this convention, achieve resource conversion by developing animal husbandry, and transform our closed economy into a commodity economy, and it will be obvious that Fujian has abundant fodder potential for developing the livestock industry.

1. We must put idle winter fields to use growing grass so we can get started on animal husbandry. According to estimates, there are over 10 million mu of idle winter fields in Fujian that can be put to use, and we now use only about 3.5 million mu of them. It takes less than 7 months to grow double-crop rice, which leaves the fields idle for 5 months. For growing grass, this 5 months in Fujian is equivalent to a full year in North China. In general, 6 mu of winter riyegrass can support 1 head of cattle or 7 sheep. If we cultivate 3 million mu of forage grass and 2 million mu of red duckweed, it is projected that we can supply feed for 800,000 head of dairy cattle (nearly the number Fujian currently supports) or 6 million sheep, or we can produce 400,000 tons of green fodder for freshwater fish. This would play an important role in developing animal husbandry in Fujian.

2. We must reform the tillage system, develop three-dimensional agriculture, and expand concentrated feed production. There is a lot that we can accomplish in Fujian if we intercrop corn on dry land, plant legumes on

embankments between paddy fields, intercrop legumes in young tea plantations and fruit orchards, and grow one crop of spring soybeans before we grow a single crop of late rice.

3. We must methodically open up grassy mountain and slope land. Fujian has more than 30 million mu of grassy mountain and slope land, of which 8 million mu is suitable for grazing. Ordinarily this land yields 750 kg to 1,250 kg of green grass per mu. Mountain topography is complicated, and the best approach is to integrate agriculture, forestry, and animal husbandry in ways that suit local circumstances. We should methodically construct artificial grass farms, cultivate grass to restore ecological equilibrium, integrate grazing into the system, follow this with reforestation, and solve the problem of water and soil runoff.

4. We must develop aquatic animal and plant life to be used as fodder. We have a broad freshwater area (including paddy fields) and saltwater area throughout Fujian that can be used to raise aquatic algae and fish. Dried algae generally contains 40 to 50 percent crude protein and can be used to make high-quality protein feed. Low-grade variety fish and leftovers from aquatic products are also an abundant fodder source.

In addition, effective multilevel conversion and usage of remnants from domestic and foreign agricultural products, such as using sugar refinery wastewater to produce unicellular protein feeds, is entirely possible.

Primary Strategy

Converting an agricultural district into a modern, integrated agricultural and stock farming region does not mean simply coupling traditional cultivation with animal husbandry. Rather, it means producing a comprehensive social production system built on a foundation of agriculture and animal husbandry and including aquatic breeding, farm and livestock product processing, commerce, transportation industries, and other professions. The integration of agriculture and animal husbandry touches upon social, economic, political, and scientific areas. It is a profound transformation, and transformation without understanding is impossible to accomplish. Consequently, we must enhance investigative research and come to a common understanding to cast off the fetters of small-scale peasant ideology and bring about conceptual regeneration.

Second, we must have an overall plan. Based on the natural resource features in each area, we must plan feed resource exploitation, feed industry growth, livestock and poultry breed selection and distribution, epidemic disease prevention, livestock product processing and circulation, and coordination and cooperation with other professions. In addition, we must formulate corresponding policy measures and provide the necessary funding for capital construction.

Simultaneously, we must vigorously intensify scientific research and technological extension work. In addition to popularizing existing technological achievements, we must carry out advance research on problems that appear when agriculture and animal husbandry are integrated, and thereby

ensure that development occurs on a rapid and sturdy basis. For example, we must research the following areas: reforms and three-dimensional agricultural techniques suited to tillage systems in integrated agricultural and stock farming regions; livestock and poultry breeding and distribution ratios and epidemic disease prevention and quarantine measures suited to various regions; high quality annual and perennial ryegrass seed selection, and leguminous and nonleguminous forage grass planting mixtures and corresponding cultivation techniques; the optimum formulas and production technologies to produce complete compound feeds and additives; multilevel recycling and utilization of agricultural and sideline product discards; livestock product processing technologies and circulation channels; and guidance of agricultural and stock farming region division and distribution, as well as comprehensive management and administration.

Of course, the road we must follow in integrating agriculture and animal husbandry is not a smooth one, and there are certainly many problems. However, we must make new breakthroughs in agricultural production in Fujian, and this route will make it possible to achieve more of them.

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CSO: 4006/220

AGRICULTURE

GUIZHOU HOLDS CONFERENCE ON RURAL ECONOMY

HK130657 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 12 Jan 87

[Excerpts] At a provincial rural work conference that opened yesterday, Qiao Xuehang, standing committee member and rural work department director of the provincial party committee, pointed out that this year the province's rural work must persevere in reform, strengthen reserve strength of agriculture, and speed up the development of commodity economy.

Qiao Xuehang said that the focus of the rural economic structural reform has been switched to the urban areas, leading to a new situation of the urban and rural areas combining with the promoting each other. We must actively promote rural reforms in depth, perfect the contract responsibility system on the household basis with payment linked to output, carry out the contract system of planting trees on barren hills, contract for water surface production, and develop the household economy.

Qiao Xuehang pointed out that it is necessary to vigorously develop collective and individual economy, let some people and areas become rich first, and attain the ultimate target of becoming rich together. We must continue to readjust the production structure, develop new products according to local conditions, and accelerate the transfer of rural labor force. In readjusting the production structure, we must pay serious attention to grain production. We must stabilize grain-growing areas according to the province's reality, increase multiple cropping index, and increase the proportions of food grains other than wheat and rice and of potatoes. We must do our best to transform low-yield fields and carry out intensive farming. We must vigorously promote and apply science and technology to provide coordinated services to grain production.

Qiao Xuehang also stressed that efforts should be made to promote circulation and to organize thousands upon thousands of peasants to enter the circulation channel. It is necessary to overcome the old idea of discriminating against and despising commerce. Unreasonable regulations disadvantageous to commodity circulation should be abolished and efforts should be made to grasp production and circulation simultaneously. Meanwhile, we must unleash the initiative of scientific and technological personnel in the province and vigorously promote technological contracts and compensated service in various forms, so that science and technology can turn into productive force as quickly as possible.

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CSO, 4006/362

AGRICULTURE

NONGMIN RIBAO VIEWS LONG-TERM LAND CONTRACT

HK311517 Beijing NONGMIN RIBAO in Chinese 15 Dec 86 p 1

[Commentator's article: "Persevere in the Long-Term Land Contract System"]

[Text] Relatively speaking, China's resources of cultivated land is limited, but it has a large rural population. This constitutes a very big contradiction. If all the rural labor forces are tied to the limited cultivated land, the rural economy cannot develop rapidly and the rural modernization will be hopeless. This conclusion has been borne out in practice. The new strategy for rural development is a comprehensive development, that is, to extensively exploit natural resources, labor resources, and other social resources, to rationally lay out various trades, and to take the road of diversified management and coordinated development. This requires that, on the basis of agricultural and nonagricultural development, most of the rural labor forces should be shifted to trades other than farming so that the disposition of land resources and labor resources will gradually become rational and necessary conditions will be created for increasing agricultural accumulation. This is the fundamental way out for resolving the contradiction between rural land and population.

The problem at present is that it is necessary to set up a kind of mechanism by means of a series of policies and measures so that on the other hand, peasants engaging in farming will foster the idea of permanently doing farm work and will make investment in land to increase land fertility, and on the other hand, land, a special means of production, will flow freely with the prerequisite of upholding the public ownership to appropriately increase the scale of farming. This means to solve the problem of ways for integrating labor forces with land. Only by satisfactorily solving this problem can land resources be really utilized rationally and the rural economy as well as the entire national economy be really based on a solid foundation.

The system of linking contracted responsibilities with output has pointed out the direction for solving the land problem in rural areas. On the basis of upholding the public ownership of land, this system has separated the right of ownership from that of management. This is a big step forward. The independence of the right of management has provided an important condition for the development of the rural economy. It is precisely in this sense that we have fully affirmed and unwaveringly upheld the role and function of household

management. To affirm the household management is the basis for affirming the commodity economy and is the starting point for affirming the modernization of the entire rural economy. This is the most valuable experience in rural reforms.

Proceeding from this, the basic method for solving the rural land problem is to uphold the collective ownership of land at the village level and let peasant households engaging in farming have the right of management of contracted land in accordance with the contracts, their legitimate rights and interests should be inviolable. These households should also be entitled to renew their contracts continuously. They should have as long a term of contract as they please. Contracted land should be allowed to be transferred so that peasant households specialized in farming can have more land, work on an appropriate scale, and get more benefits.

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AGRICULTURE

HEBEI PEASANTS SET UP AGROTECHNICAL CENTERS

OW281956 Beijing XINHUA in English 1532 GMT 28 Jan 87

[Text] Beijing, January 28 (XINHUA)--Peasants in Zhangjiakou Prefecture in north China's Hebei Province have developed many advanced farming techniques and projects which have greatly stimulated the rural economy, the ECONOMIC DAILY reported today.

Over the past few years, 65 peasant-run research institutes have been established. In 1986 alone, they offered local peasants more than 150 new agro-techniques and products, the paper said.

Their research findings were all closely related to local production, with small investments but quick economic returns.

A research institute in Dapu Township raised 260,000 yuan (about 70,200 U.S. dollars) to process sea buckthorn, a type of wild berry, into jams and other new products, opening a new channel for local peasants to get rich.

A vegetable research center at Xiaozhuang, Yangyuan County, turned out more than 20 high-yield strains of peppers, eggplants, cucumbers and tomatoes. The biggest pepper it produced weighed 750 grams.

And with improved vegetable output, the income of local peasants has more than quadrupled over the past couple of years, the paper said.

Since 1984 the institute has supplied more than 25,000kg of vegetable seeds to all the mainland provinces, in addition to 1,500 kg sold to other countries and regions.

Meanwhile, these institutes, sponsored by households, villages and townships, have trained more than 2,000 farmers in scientific farming and animal husbandry.

They also obtained technical aid from about 80 universities and research institutes across the country.

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CSO: 4020/115

AGRICULTURE

JIANGSU REPORTS FISH SUPPLY, DEMAND UNBALANCED

Nanjing XINHUA RIBAO in Chinese 14 Nov 86 p 1

[Article by Qi Yanling [3344 3601 5044] and Huang Guifang [7806 2710 5364]:
"Fresh Fish Output Is Up But Sales Are Stagnant; Aquatic Product Departments
Feel We Must Advance Harvest Dates To Achieve Balanced Marketing"]

[Text] In 1986 freshwater fish breeding throughout Jiangsu rose to another new record, but right now circulation is inhibited and business is slow.

In Jiangsu in 1986 the freshwater fish breeding area increased 100,000 mu, the quantity of fingerlings stocked rose about 40 percent, and the yield per unit of area universally increased over 1985. On the 500,000 mu of intensively cultured ponds the yield was over 250 kg per mu, for a 100 percent increase over 1985. New breakthroughs were made in enclosure culturing techniques in large and medium-sized lakes of 10,000 mu or greater, and there the per-mu yield reached 100 kg. On Dazong Hu, intensive fish culturing in high density enclosures has produced a per-mu yield of 2,000 kg. Projections indicate that the total 1986 output from freshwater fish breeding in Jiangsu will measure 400,000 tons, for an increase of 80,000 tons over 1985.

In southern Jiangsu some fish farmers drew a lesson from the inhibited circulation of fish that led to overstocked ponds at the end of 1985, and this year they advanced the harvest period 2 to 3 months compared with 1984. Some have begun to harvest and stock by turns, and the fresh fish that are sent to market are "diao kong dang" [0680 4500 2909]. As a convenience to households transporting fish to sell, Suzhou and Wuxi have established special markets for aquatic products. From an overall perspective however, aquatic product circulation throughout the province still does not meet production development needs. In the production process in 1986 only 10 percent or so of the gross output was represented by successively signed purchase and sale contracts. A significant number of producers are still waiting for holidays to sell their products at a higher price, and many entrepreneurs are looking on from the sidelines, waiting to buy at low prices and sell at high prices.

According to an analysis by aquatic product departments throughout the province, if we continue this way we are bound to end up amassing aquatic products on the market later. The price will plummet, and this will cause fish raising households to sell at a loss or let their pools become

overstocked. Entrepreneurs will be caught unprepared and be subjected to a great risk. The aquatic product departments feel that producers must get rid of their reluctance to sell, and, except where conditions exist to keep adult fish over temporarily until next spring, they should harvest and sell their fish early. They must not rely on selling at a high price to increase their incomes. Rather, they should enhance administration and management, lower production costs, and improve unit yields so as to reap reasonable economic benefits. Entrepreneurs should build an ideology of small profits but rapid turnover. Now, with multiple circulation channels, opportunities for high profits are increasingly rare. Moreover, in 1986 prices for materials needed in the fishing industry have inflated and costs have risen across the board, while prices for aquatic products have been forced down too low and producers are unwilling to sell their goods. State operated aquatic products companies should put their efforts into reforming the economic system, stimulating the economy, and expanding business.

12510

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AGRICULTURE

STEPS TO READJUST AGRICULTURE IN JILIN DISCUSSED

Changchun SHEHUI KEXUE ZHANXIAN [SOCIAL SCIENCE FRONT] in Chinese No 4, 25 Oct 86 pp 82-87

[Article by Liu Xiaoran [0491 4562 3544]: "Bring the Advantages of Grain To Bear and Promote Economic Development--A Preliminary Exploration of Measures To Readjust Agricultural Composition in Jilin"]

[Text] Agriculture is the foundation of the national economy, and grain is the foundation of agriculture. Readjusting the grain crop ratio in cultivation may lay an excellent foundation for current rural reforms and readjustments in industrial composition, and it will ensure that the rural economy in Jilin advances along a course of comprehensive management and coordinated development. This paper discusses my personal views on how to arrange the grain crop ratio in the planting industry and how to handle issues of intensive grain processing and conversion.

I. The Current State of Grain Production in Jilin and Existing Problems

There are 61 million mu of arable land, 110 million mu of forests, and 23 million mu of grasslands now available in Jilin. Grain crop area comprises 88 percent of all arable land, and the value of output from cultivation accounts for about 70 percent of the gross value of agricultural output. In the past few years the thorough restructuring of the rural economic system and the universal implementation of the output-related system of contracted household responsibility have tremendously aroused production initiative among the peasantry, so that the potential for increased yields that already existed has concentrated and burst forth. Grain output has increased beyond all expectations: in 1984 the grain yield in Jilin reached 16,345,000 tons, up 63.5 percent over the big bumper harvest of 1982; the total quantity of grain purchased and stored by the state reached 8.45 million tons, up 99.8 percent over 1982; corn procurement reached 6.85 million tons, accounting for 81 percent of Jilin's commodity grain. Per capita grain holdings in Jilin measured 700 kg, and the commodity grain ratio reached 55 percent--both placing Jilin first nationwide. In 1985, although Jilin suffered its most severe natural disaster in history, grain output still reached 12.25 million tons, making this the third largest bumper harvest year since the PRC was founded. Looking at the current situation, if in the future we meet with no particularly severe natural disasters that are insurmountable with human

resources, in this stage the grain yield in Jilin not only may stabilize at about 15 million tons, it may even increase. This current state of grain production development in Jilin plays a tremendous role in expediting economic development and promoting an improved standard of living, and it is of the utmost significance.

In agriculture, because grain output has increased by a large margin, farmer income in Jilin has increased tremendously. In 1984 the average per capita income in the Jilin countryside was 486.7 yuan, or 1.7 times more than the 1978 per capita income of 181.6 yuan. Jilin's average per capita income ranked fourth nationwide. In 1985, although rural per capita income provincially dropped to 413.7 yuan due to a decline in grain yield caused by natural disasters, that income was nevertheless better than the highest level achieved prior to 1983. The firewood shortage that existed for many years in the countryside has also been resolved, and the destruction of water and soil conservation and ecological equilibrium brought on by raking straw and scratching the ground has basically been brought under control. Farmers' lives are beginning to change: mere subsistence is changing to comfort. Forestry, animal husbandry, sidelines, fishery, and township enterprise have all developed significantly because of our ample foundation in grain resources. A large number of rural laborers have shifted off the land and joined other professions. The land is beginning to be concentrated in the hands of "farming experts," and agricultural production is beginning to switch courses toward favorable circulation.

Because grain output has increased by a large margin, the fluctuation and lack of advancement that plagued the livestock industry for many years has ended and there has been relatively rapid expansion. At the end of 1985 Jilin had on hand 1,667,000 head of cattle, 1,512,000 sheep, and 49.33 million fowl, representing increases of 50.7 percent, 22.2 percent, and 290 percent, respectively, over the quantities on hand in 1978. In particular, after pricing was opened up on agricultural and sideline products, live pig production in Jilin expanded from the "trough" it was in, and at the end of 1985 there were 4.97 million live pigs on hand in Jilin, up 20.6 percent over the 4.12 million on hand in 1984. We also produced 299,000 tons of pork, beef, and mutton, for an increase of 14.1 percent over 1984, and the gross value of output in the livestock industry reached 1.26 billion yuan, up 36.2 percent over 1984. Jilin's relatively weak livestock industry is now improving. In the wake of the increase in grain output and the expansion of livestock industry production, the feed industry has come into being in Jilin and expanded considerably. As of the end of 1985, 4,813 feed processing plants, with a total annual processing capacity of 120 tons, had been established throughout Jilin. The livestock industry has switched from traditional rearing methods, involving feeding livestock whatever there was on hand, to a modern rearing method, and economic results are constantly improving.

In industry the large-scale increase in grain output in Jilin has promoted vigorous growth in light industry, the food industry, the pharmaceutical industry, the chemical industry, and other industries and professions. In 1985 Jilin produced 68,000 tons of starch, up 3.5-fold over 1980; 335.2 tons

of soft drinks and wines, up 2.2-fold over 1978; and the gross value of output in the food industry reached 2.5 billion yuan, up 1.03-fold over 1978.

As for trade, because grain output has risen by a large margin, Jilin annually hands over to the state 5 million tons of corn--more than any other province--valued at 1.8 billion yuan. In 1985 Jilin exported a total of 2 million tons of corn, producing \$240 million in foreign exchange. This accounted for 60 percent of Jilin's foreign exchange income. Adding in soybeans, sunflower oil, soybean dregs, and so forth, foreign exchange produced by agricultural products accounted for 85 percent of Jilin's total foreign exchange earnings. In 1986 Jilin plans to increase foreign exchange earnings another 100 million yuan over 1985. Achieving this estimate depends entirely on increasing corn exports.

Although these circumstances of grain production development in Jilin have played a major role in expediting economic growth and promoting an improved standard of living throughout Jilin, they have also brought us new problems. The most prominent of these is manifested in state problems with grain storage, transportation, and sales. If these problems are not resolved satisfactorily, they will inevitably affect farmer initiative for grain production, as well as further growth in agricultural production throughout Jilin.

Consequently, how we proceed from the actual situation in Jilin to readjust agricultural composition, arrange the planting ratio for various grain crops, and utilize and consume the relative grain surplus, has become the major crucial problem to be resolved in Jilin's economic development.

II. We Must Rationally Readjust Grain Crop Composition and Continue To Maintain Our Dominance in Corn Production

If we wish to do a good job of readjusting grain crop composition, we absolutely must have a proper guiding ideology for the readjustment process. Agricultural production in Jilin today has developed from a self-contained or partially self-contained economy to an economy featuring relatively large-scale commodity production. We sell corn to 21 provinces, municipalities, and autonomous regions, as well as to many nations throughout the world. Corn holds a particularly important status in Jilin economic development. Consequently, we must proceed from the objective demands of natural conditions and commodity production in Jilin to define our guiding ideology for readjusting grain crop composition. This guiding ideology is to proceed from actual conditions in Jilin and cater to domestic and international markets in bringing our advantages to bear. We must orchestrate an open commodity economy and seek optimum economic, social, and ecological results. Based on this guiding ideology, the grain crop ratio in the planting industry in Jilin should be arranged as follows:

1. We must continue to maintain our dominance in corn production, improve unit yields, and stabilize gross output. Corn is Jilin's household crop, and it is where our advantage lies. Maintaining and bringing this advantage to bear is of the utmost significance for making the best use of objective conditions in Jilin, improving economic results from agricultural production,

and promoting economic development throughout the province. Therein lies the key to stabilizing gross grain output in Jilin at 15 million tons or more.

First, from the perspective of natural conditions, Jilin's grain-producing counties are situated basically in the central portion of the Songliao Plain, located approximately between 42 degrees 50 minutes and 45 degrees 50 minutes longitude. Precipitation averages 600 to 800 mm per year, the cumulative temperature is about 2,700 to 3,000 degrees Celsius, and there are 130 to 140 frost-free days per year. Precipitation during the corn growing season, from April through September, accounts for 75 to 85 percent of total annual precipitation, and the soil texture is predominantly chernozem and grassy marshland. The geographical position and natural conditions are very similar to those in the US and Romanian corn belts: they are extremely well suited to growing corn. This is China's famous "golden belt."

Second, from the perspective of economic results, compared with other grain crops corn has many advantages: it requires a small investment, produces a high yield, possesses strong resistance to natural disasters, and enjoys a good market. Farmers consider corn to be a guaranteed high-yielding crop. As far as inputs are concerned, each mu of corn requires approximately 5 jin of seed, equivalent to about 3.5 yuan; 65 jin of compound fertilizer, equivalent to about 13 yuan; 0.3 yuan worth of pesticides; 0.8 yuan in tractor plowing fees; 8 yuan in niuju [3662 3674] fees; and 5 workers, equivalent to 12.5 yuan; for a total input of 38.1 yuan. As for output, in 1984 Jilin corn produced an average per-mu yield of 793 jin and brought a standard product price of 0.135 yuan per jin, for a total output worth 107.06 yuan per mu. Thus, the per-mu net income on corn was 68.96 yuan. In the central grain-producing counties of Huaide and Lishu, the per-mu corn yield is generally over 500 kg and the net profit exceeds 100 yuan.

In addition, cornstalks are the primary source of fuel for Jilin peasants. Three thousand cornstalks (100 bundles) can be harvested per mu of corn, equivalent to 6 yuan. Corn spike-stalks can be used to make furfural and xylitol. Each 12 tons of corn spike-stalks can produce one ton of furfural worth 2,200 yuan, and each 13 tons of corn spike-stalks can be made into 1 ton of xylitol at a profit of over 1,400 yuan. Corn produces many fibers that have good tensile strength and are wear resistant. These can be used to weave cushions, mats, carrying baskets, and various handicrafted household items. In short, corn is a treasure: the output and economic benefits from corn far surpass those of other dry-land grain crops.

Third, from the market perspective, corn is simultaneously a food, the premium feed source, and an industrial raw material. It sells well on both the domestic and the international market. Domestically, China's corn producing region is primarily distributed through several northern provinces. In the central and southern portions of China the various provinces produce very little corn and essentially must depend upon imports and negotiated procurement for the corn that they need. The supply falls short of the demand.

On the international market the corn supply also falls short of the demand. Since the 1950's, as corn has changed gradually from food to fodder, the

demand for corn in many countries has grown larger with each passing day. When domestic production is insufficient there is no choice but to rely on imports. At present the Soviet Union imports 18 million tons and Japan imports 14 million tons of corn per year, and market prices are expected to rise. Jilin produces good quality corn and charges a reasonable price for it, and foreign exchange is low in cost and bring good results. Furthermore, Jilin is close to Japan and the Soviet Union, as well as to various countries in Northeast and Southeast Asia, and is strongly competitive. In 1985 Jilin exported 2 million tons of corn. This accounted for 37 percent of all Chinese corn exports and 14 percent of Japanese corn imports. On top of this, in the wake of the rapid development of new techniques for multipurpose corn processing and utilization since the 1970's, there has been a greater and greater demand for corn in industrial processing, and the market capacity for corn consumption is constantly expanding.

Fourth, from a developmental perspective there is enormous potential for increasing corn output. In the past few years the high-yield record on large US corn farms (of 30 to 60 mu) has been maintained at 2,500 to 2,800 jin, reaching 2,951 jin at its highest. In China the high-yield record for corn production has also reached 2,000 jin per mu, but our current average per-mu corn yield is only 793 jin. The potential for increased output and the prospects for development are extremely obvious.

Finally, from the perspective of implementing grain procurement policies, corn is one of the three major types of grain stipulated to meet state contract procurement quotas. When under contract, the state makes purchases based on proportional prices, and when not under contract, the state still buys as much as is available. Moreover, in order to arouse further enthusiasm among farmers to produce grain, the state has recently stipulated that there be appropriate increases in grain allotment prices. Some of the burden assumed by the importing province is to increase, and anything over the allotted portion will be purchased at a negotiated price. This will allow farmers to increase their income from over-quota grain, and it will provide a new incentive for corn production in Jilin.

Consequently, in readjusting planting composition, we must proceed from actual conditions, continue to maintain our dominance in corn production, guarantee the gross output, make suitable adjustments in the corn growing area, raise the unit yield, improve quality, and increase exports. Where conditions are unsuitable for corn cultivation, where the corn cultivation ratio is too high, and where conditions are suitable for paddy cultivation, we should make appropriate reductions in corn growing area. Where the corn cultivation ratio is rather low but conditions are suitable for growing corn, we must make appropriate increases in the corn growing area. This will bring the corn cultivation ratio in the corn producing regions of central Jilin up to roughly 50 to 60 percent of the total grain crop area. In addition, to suit domestic and international market needs and make corn a special, hot-selling local product for Jilin, we must continue to make use of the advantages of hybridization and employ improved varieties to develop pure yellow and pure white corn varieties with hard kernels and a high starch content.

2. We must actively expand paddy production and make suitable increases in soybean growing area. Rice is also one of the three major types of grain stipulated to meet state contract procurement quotas. Its per-mu yield can generally reach 800 to 1,000 jin. Rice not only produces a high yield and a good value, it can also make up for the shortage of fine grain in Jilin. In the past several years paddy area has expanded rather rapidly in Jilin. Right now there is 5.36 million mu of paddy land in Jilin, accounting for 8.8 percent of the arable land area. In 1985 there were 4.83 million mu of paddy fields actually under irrigation, or 27.4 percent more than the 3.79 million mu under irrigation in 1980, and these produced a yield of 1,837,000 tons. From the perspective of water conservancy resources and other conditions pertaining in Jilin, by the year 2000 the total paddy area in Jilin can expand to approximately 10 million mu, or 15 percent of the total arable land area. It is estimated that paddy output may reach 4 to 5 million tons, and this will play an important role in facilitating an increase in grain output and promoting an improved standard of living in Jilin. Consequently, we absolutely must vigorously develop and make good use of Jilin's precious water conservancy resources and tap the potential in each locale. Where conditions are suitable for paddy cultivation, particularly on low-lying waterlogged land and slightly alkaline land, we must as far as possible develop paddy fields in order to bring about a significant increase in Jilin rice production. However, it is worth noting that the current rice procurement price is rather high in Jilin, and if we increase the supply for residents at par, public finances will be unable to afford to subsidize negotiated sales. The quantity is limited, but overstocks have already appeared. Thus, at the same time as we are developing paddy production, we must also take care to resolve rice marketing problems.

Jilin is the key soybean producing region in China, and is commonly called "soybean country." However, prior to 1983, because the price of soybeans was high for a time, overstocks resulted and led to an excessive price decline. This affected farmer enthusiasm for soybean cultivation. In the past 2 years, because consciousness of the nutritional value of soybeans has improved and more of them are being used for food, the soybean market has been good both at home and abroad, soybean prices have been considerable, and farmers have become much more enthusiastic about growing soybeans. In 1985 the total soybean growing area in Jilin measured 7,172,000 mu, up 1,216,000 mu over 1984, and output amounted to 904,500 tons, up 11.6 percent over 1984. To further stimulate farmer enthusiasm for soybean production, the state has also decided to raise the soybean procurement price 0.09 yuan beginning in 1986. It will still carry through on contract procurement quotas in Liaoning, Jilin, Heilongjiang, and Nei Mongol. Soybean nodule bacteria also play a role in nitrogen fixing and can improve soil fertility. If we plant soybeans in rotation with corn, we can rationally utilize land resources and fertility and improve grain yields. Consequently, when we readjust crop composition we must proceed from actual conditions to further expand soybean growing area, improve the quality of varieties, increase the quantity of yellow soybeans, and decrease the quantity of black soybeans to suit domestic and foreign market demands. We must increase the soybean growing area to 15 to 20 percent of Jilin's cereal crop growing area and try to achieve a rational cultivation ratio and optimum ecological results.

3. We must proceed from actual conditions in arranging wheat production. Jilin has a small quantity of fine grain, and we rely on state shipments and negotiated procurement for practically all of our wheat. For this reason, some people have set out from the angle of increasing fine grains, and have suggested that we expand the wheat growing area. This, of course, makes some sense. However, from the perspective of natural conditions and economic benefits, Jilin is just not suited to wheat cultivation. Wheat grown in Jilin is characterized by low yields, poor quality, high costs, and low profits. The average per-mu wheat yield is only about 200 to 250 jin, for an output 3 to 4 times lower than that for corn, and yet the procurement price for wheat is not even twice that of corn. It is far better to buy wheat and bring it in from Henan, Anhui, and other provinces. Farmers have become profoundly acquainted with this fact through their own experiences. Consequently, the wheat growing area in Jilin is declining year by year, and we essentially have no commodity wheat. The flour consumed by peasants themselves is almost entirely obtained in exchange for corn. Then from the market perspective, although wheat is one of the grain types stipulated for state contract procurement, there are many provinces throughout China that produce wheat, and there are ample sources of wheat for the domestic market. The supply exceeds the demand, the price is low, and the quality is good. There are many empty railroad cars on trains running north, and communications and transportation is no problem. The state still makes special arrangements to ship 0.9 to 1.0 million tons of wheat into Jilin each year. Consequently, for now it is economically more feasible for us to purchase or exchange for wheat with other provinces. There is no need for us to force any increase in wheat cultivation in Jilin.

Once again, from the perspective of developing modern agricultural production, in the process of postwar agricultural modernization the capitalist nations all instituted regional specialization and specialization in agricultural production. In 1964 specialized agricultural products accounted for 97 percent of all the commodity agricultural products produced in the United States. All over the world now, very few of the agricultural products consumed by particular provinces, states, or even nations or regions, are entirely self-produced: very few places are self-sufficient. For each to bring its own advantages to bear and produce the lowest-cost products--this is characteristic of a commodity economy, and it is the most solid foundation for the existence of commodity exchange and international trade.

4. We must arrange production of sorghum, millet, and variety grains to accommodate own needs and market demands. Sorghum, millet, and variety grains have been withdrawn from contract procurement quotas and rely on the market for regulation. We allow farmers to arrange production themselves based on their own needs and on market demand. They produce these grains for themselves for private use. If they determine production based on sales, the growing area should be reduced, because if they grow too much there is no guaranteed market.

III. We Must Do a Good Job of Intensive Corn Processing and Corn Conversion To Promote Further Growth in Agricultural Production

In essence, grain production and grain conversion are two sides of the same question. That is, grain production and grain consumption mutually promote and restrict each other. If we wish to develop grain production, we have no choice but to resolve grain consumption problems issuing from production. In the past few years, although grain output in Jilin has increased by a large margin, there has been no major increase in the quantity of grain consumed. Once supply and demand offset each other, we had to find other outlets for 10 billion jin of surplus grain per year. Conflicts have become very prominent because the state has had problems storing grain and the farmers have had problems selling grain. If we cannot handle these problems, they may affect further growth in grain production and influence the smooth progress of readjustment in agricultural composition in Jilin. From a worldwide perspective, average per capita grain holdings of 1,400 jin is by no means large. In 1981, average per capita grain output measured 2,902 jin in the United States and 2,204 jin and 3,226 jin, respectively, in Canada and Australia. Average per capita grain consumption for most European nations was generally over 1,500 jin. These levels all far surpass current levels in Jilin. The current grain surplus in Jilin is just a kind of low-level relative surplus. In one respect it reflects serious inadequacies in Jilin's grain storage and drying capacities and in the state's communications and transportation system. However, it chiefly reflects the fact that intensive grain processing and grain conversion are still undeveloped in Jilin and cannot keep pace with the growth in grain production or with people's daily needs. We absolutely must have a sober understanding of this fact. We must adhere to the agricultural production policy of "no relaxation in grain production, but active development of a diversified economy," thereby keeping a tight grip on our ample grain resources. This advantageous moment of relative corn surplus should adroitly guide us in readjusting rural industrial composition to suit the circumstances. We must vigorously develop the livestock industry, the food industry, and the corn processing industry and improve our grain conversion capacity and rate. We must cater to domestic and international markets and process goods to increase their value. We must satisfy the requirements of production development and meet the need for an improved standard of living. And, we must turn this grain advantage into a commodity advantage and essentially resolve the problem of an outlet for our surplus grain. Moreover, we absolutely cannot relax grain production or reduce corn growing area because of a temporary grain surplus.

1. We must vigorously develop the livestock industry and transform corn into meat, eggs, and milk. Corn has a lot of starch and a high protein and vitamin content. It is the primary source of livestock and poultry fodder and is called "the king of feeds." Right now around 70 percent or more of all corn produced in the world is used as fodder to develop livestock industry production. For example, in the United States the per capita grain ration averages 124 jin per capita, but grain used for fodder measures an average of as much as 1,240 jin per capita. Worldwide, an average 43 percent of all grain is used annually for fodder, but in Jilin only about 8 percent of all grain is so used. Livestock industry production is growing slowly, and we are unable to be self-sufficient in meat and eggs. This is an extremely abnormal phenomenon, and it demonstrates that there is still a major discrepancy between livestock industry production, current growth in grain production, and people's daily needs in Jilin. There must be major development.

However, how are we to develop livestock industry production? Some people suggest that "In developing livestock industry production, we cannot rely only on grain conversion; if we do the loss will outweigh the gain." In a way, this makes some sense. However, the current situation in Jilin compels us to develop livestock industry production in order to undertake grain conversion, rather than to rely only on grain conversion to develop livestock industry production. Now there is already a relative surplus of grain throughout Jilin, but fodder grass resources are extremely limited. Desertification, degeneration, and alkalization has occurred on 12.3 million of the 23 million mu of Jilin grasslands, and we are almost at the saturation point of grazing capacity. In 1985 Jilin grass farms supplied 5,400 tons of beef and mutton, or not even 2 percent of the total quantity of meat produced here. According to estimates made by the departments concerned, after comprehensive grassland administration and improvement is undertaken, by the end of the century Jilin's grazing capacity may be doubled, at most, and there will still be no major increase in the proportion of total meat volume produced thereon. However, there is considerable promise in using grain conversion to develop livestock industry production. According to Jilin's economic development plan, by 1990 social ownership of meat, eggs, and milk in Jilin will total 970,000 tons, and we will annually require an average 5.82 million tons of fodder and be able to convert 3.49 million tons of grain. By the year 2000 social ownership of meat, eggs, and meat will reach 1,882,000 tons and we will be able to convert 6,115,000 tons of grain per year.

In addition, looking at the current state of development in livestock industry production, it is hard to find it tenable that losses will outway gains if we rely on grain conversion to develop animal husbandry. Practical experience indicates that employing compound feed to raise livestock and poultry can make rational use of the various nutritional components in the feed and allow them to be fully consumed and absorbed. Compared with China's traditional rearing method of feeding the animals whatever was available, this method poses obvious economic advantages. In pig husbandry, compound feed can generally shorten the rearing period 6 months for a 200-jin mao [3029] pig. The pig will consume 750 jin of corn, at a cost no more than 140 yuan. Moreover, since pricing was opened up on agricultural and sideline products, the price of a mao pig has risen from 0.63 yuan to about 1 yuan per jin, and farmers can make a profit of at least 50 yuan per pig. In raising chickens, compound feed can raise egg production 30 percent or more, and farmers can earn 10 to 12 yuan per hen per year. As for raising dairy cows, the economic benefits are even higher. Relying on pasturage to develop cattle, sheep, and other herbivores results in a long growth period, a high ratio of fodder consumption to maintain basal metabolism, and a much lower return on feed than is true for pigs and poultry. Today, except for Australia and the People's Republic of Mongolia--where natural grazing is still practiced because there are few people, a great deal of land, and vast grasslands--most nations and regions of the world run intensive operations to raise cattle, sheep, and other herbivores, raising them on feed and fattening them rapidly. The primary method of livestock production today has become one of processing grain into feed and then transforming it into meat, eggs, and milk. The economic benefits are remarkable.

Consequently, in developing livestock industry production we must proceed from actual conditions in Jilin to actively develop the feed industry and vigorously disseminate modern husbandry techniques and scientific management methods. In the central grain-producing regions we must focus on successfully developing pig and poultry feed and on fattening beef and sheep. In the western region we must do a good job of grassland administration and improvement and increase the number of cattle and sheep we graze. We must move toward comprehensive operations incorporating animal husbandry, industry, and commerce and involving production, supply, and marketing as a coordinated process. We must bring about significant development in livestock industry production in Jilin within a short time period. This way, we can both meet the daily increasing demand for meat, eggs, and milk, and ensure that the grain surplus is transformed and increased in value.

2. We must vigorously develop the food industry and transform corn into various economically palatable foods. Corn is a major grain that contains various nutritious substances, and it has a fairly high food value. In recent years more and more new foods have been produced from corn, both here and abroad. According to a survey conducted by the US Food Manufacturers Association, 1,160 of the 12,000 food products displayed in supermarkets contain corn derivatives and another 150 kinds of food products are made directly from intensively processed corn. Annual output of cornflakes alone totals over 2.1 billion jin. Cornflakes and cornmeal mush have become an indispensable breakfast food to many people in nations throughout Europe and the Americas. Jilin is the primary corn-producing region of China, and is richly blessed with the resources for developing corn products. But in recent years, because people employ fairly simple methods of preparing corn for food in Jilin, there has been very little variety in corn products. As the standard of living has gradually increased, corn consumption has progressively declined. This is unsuitable given the large-scale increase in corn output in this province. Consequently we must make a conscientious effort to develop and produce food products made from corn, and we should vigorously popularize techniques for making delicacies from corn and blending corn with other ingredients. We should do a good job of producing corn pone, compound fine dried noodles, staple breads, pastries, pancakes, peace and happiness fruits, vermicelli, and other corn foodstuffs that are economical, substantial, convenient, healthful, and suited to Jilin tastes. In addition, we should actively publicize and disseminate scientific information on nutrition and guide people to eat some convenience foods and foods made from corn, balance their nutrition, adjust their tastes, increase coarse fiber in the diet, and promote scientific dietary composition and socialized household duties. For example, if, on average, the people of Jilin can use an additional 1 jin of corn foods per month, we can increase corn consumption 140,000 tons per year. This not only may improve nutrition levels and satisfy people's daily needs in Jilin, it also may reduce the quantity of wheat Jilin must bring in for exchange or purchase. At the same time, we should actively develop and manufacture some somewhat more competitive corn foodstuffs, get them on the domestic and international market, transform Jilin's export product mix, and create even more income from foreign exchange.

3. We must accelerate expansion in the corn processing industry and enlarge the sphere of grain consumption. Corn has a broad range of applications in

modern industry: it can be used to manufacture starch, ethyl alcohol, glucose, pharmaceuticals, beverages, condiments, vegetable oil, plastics, and several thousand other products. It is an indispensable basic raw material in light industry, the chemical industry, pharmaceuticals, and many other industries and sectors. However, right now the corn processing industry in Jilin is just getting under way. Output is low, the variety is small, the utilization ratio for raw materials is poor, energy consumption is high, and some key technical problems remain unresolved. Annual grain consumption is still less than 2 percent of the total grain output in Jilin, and this falls far short of meeting current needs for industrial and agricultural production. Consequently, we must pay close attention to technically transforming the corn processing industry, constantly improving the quantity and quality of products that use corn as their primary raw material, and reduce consumption of raw materials and energy. Our focus should be on the following areas: we must satisfactorily develop cornstarch production and increase the output of starch and various denatured starches; methodically, step by step, we must develop and produce corn glucose syrup, and as quickly as possible find a way to substitute glucose for sucrose in the production of foodstuffs and beverages; we must constantly increase the production of ethyl alcohol from corn and popularize its use as a substitute for petroleum fuels; and we must especially concentrate on reprocessing industries for primary products that use corn as a raw material and on multi-level, multi-purpose processing and utilization of corn resources. Figuring a starch output ratio of 50 percent, if we can increase the production of various starches in Jilin another 100 percent over their current base level, we can consume an additional 120,000 tons of corn per year and raise the value of output 42 million yuan. The corn processing industry has broad prospects for development. So long as we make great efforts in many areas, there is great potential that can be tapped. The development of the corn processing industry both will enable us to constantly expand corn consumption and increase the value of corn by ten percent, and will accelerate the development of iron, steel, and machine manufacturing and other related industries and allow Jilin to concentrate on gradually turning corn processing into a new processing colony.

In short, it is of the utmost importance that we readjust the proportional relationship of grain crops in the planting industry and succeed at intensive grain processing and transformation. This not only can perfect the planting industry and improve economic results from agricultural production, it can also consume surplus grain and raise its value. To fundamentally resolve the state's problems with grain storage and transportation and the people's problems in selling grain, we absolutely must accomplish this task conscientiously.

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CSO: 4006/210

AGRICULTURE

QINGHAI OPENS RURAL WORK CONFERENCE 5 JAN

HK060243 Xining Qinghai Provincial Service in Mandarin 2300 GMT 5 Jan 87

[Excerpts] A provincial rural work conference was convened in Xining on 5 January. The meeting, called by the provincial party committee, will implement the spirit of the central rural work conference. Guided by the spirit of the sixth enlarged plenary session of the sixth provincial party committee and the provincial party committee's work conference, the meeting will make an all-round analysis of the situation in the agricultural and pastoral areas, and study and arrange measures for deepening reforms, further developing commodity economy, and stepping up the building of spiritual civilization there.

Lu Shengdao, deputy secretary of the provincial party committee, analyzed the province's rural situation. He said: Last year the economy in the agricultural and pastoral areas continued to maintain steady growth. Total agricultural output value was 1.06 billion yuan, an increase of 2.5 percent over 1985. Average income for the peasants and herdsmen was 360 yuan, a rise of 5 percent.

Lu Shengdao pointed out that due to the relatively poor natural conditions and numerous natural disasters in the province, Qinghai's level of agricultural and animal husbandry production is low, growth is slow, and development is very uneven. In addition, the economic structure is simplex, the degree of commodity economy is low, and economic results are far from ideal. Judging by the present situation, the province's agriculture is far from meeting the needs of its economic development. Lu Shengdao stressed: We must ensure that we meet the provincial party committee's goals of grain output of 2.3 billion jin and average peasant and herdsman income of 500 yuan during the 7th 5-Year Plan. To achieve this, we must persevere in reform.

Provincial party committee and government leaders Song Ruixiang and Liu Feng attended the meeting.

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AGRICULTURE

1986 OUTPUT OF TABLE SALT REPORTED

Beijing ZHONGGUO SHANGYE BAO in Chinese 1 Nov 86 p 1

[Article by Yu Li [0060 0500]: "Table Salt Production in China Is Doing Very Well: Projections Indicate that Yearly Output May Reach More Than 16 Million Tons"]

[Text] Figured at 7 kg of table salt per capita per year, 1 billion people need 7 million tons of salt per year. China produced 13.80 million tons of salt in the first 9 months of 1986. Deputy Director Cao Fengquan [2580 7685 3123] of the China Salt Corporation was happy to discuss the subject when interviewed by a reporter a few days ago.

China is rich in salt. Sea-salt resources are extremely abundant along our 18,000 km coastline, and we also have numerous salt lakes and brine pits. Right now the Chinese people use less than half of the table salt we produce in a year, and annual exports total over 1 million tons. In the wake of the rising standard of living, salt production and management sectors are not satisfied just to market salt, but are concentrating considerable attention on converting to intensive processing of raw salt. The uniformity of table salt varieties is now in the process of changing.

According to Deputy Director Cao, China now has over 20 kinds of salt, including refined salt, pulverized washed salt, pulverized refined salt, iodized salt, selenized salt, natural sea salt, low-sodium salt, long-lived salt, prawn salt, fish-flavored salt, and spiced salt, and can meet different sorts of needs. In 1986 the Chinese people consumed over 71 percent fine salt. According to light industry requirements, in 1987 all table salt used by the people will be fine salt. Except for special needs, such as for cured meats and pickled vegetables, unprocessed pellet salt will quietly disappear from the diet. Not only will salt increase in variety and improve in quality, but packaging will also be vastly improved. Sanitary, convenient small packages that minimize wastage are now being popularized throughout the country. Small packages of table salt currently account for 20 percent of the total supply, and in 1987 this proportion will rise to 40 percent.

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CSO: 4006/220

AGRICULTURE

STUDENTS HELP PEASANTS IN MOUNTAIN AREAS

OW050730 Beijing XINHUA in English 0723 GMT 5 Jan 87

[Text] Beijing, January 5 (XINHUA)--More than 3,000 students from the Hebei Agricultural University were reported to have helped poor peasants in the province's mountain areas in north China during the past five years.

They worked in the areas mostly during their fieldwork and vacations, providing peasants in 24 counties in Hebei's Taihang mountains with technical advice and training.

According to the provincial government, the students sponsored 760 training classes enrolling 270,000 peasants, and as a result, these counties have earned 300 million yuan (81 million U.S. dollars) more than in the past and the annual per capita income has increased four times over.

The university authorities said that students' involvement in the rural production was very useful in improving teaching and scientific research. So far, the Hebei Agricultural University has added five new specialties to cater to the needs of rural commodity production, revised some textbooks, increased its optional course offerings to 300 and expanded annual scientific research from several dozen to 159 projects."

Participating in rural production has also helped students develop their abilities, the university authorities aid. One student in the university's animal husbandry department worked out new test data which has been included in the country's fodder data base.

Another student, Liao Fusheng of the horticulture department, remarked: "We should not only learn from books but from real life. Only by doing so will it be possible to see the real value of knowledge."

The State Education Commission highly recommended the experiences of the Hebei Agriculture University recently, saying that the school has set an example for other institutes of higher learning in serving the socialist economic development.

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CS0: 4020/118

AGRICULTURE

BRIEFS

BEIJING ENCOURAGEMENT 'TO RETURN TO LAND'--Beijing, January 3 (XINHUA)--Some former farmers in Beijing suburbs are returning from jobs in the city to work the land, according to a city official in charge of the farming industry. Over the past few years, the booming industrial and service sectors in the rural areas has seen farmers leave their plots and fields to find employment in factories, construction, hotels and restaurants. The farmers were able to make more money in their jobs than they did off the land, the official said. As the number of farmers left the agricultural sector increased grain production began to be adversely affected, the official said. To solve the problem, the city government improved the farming responsibility system and introduced regulations to revitalize farmers' enthusiasm in farming, the official said. Consequently, over 450 specialized farming groups have been set up in the suburbs. The farmers have also established 110 collectively-run farms. "From January to October last year," the official said, "the farmers bought 534 tractors, 210 combine harvesters, 35 corn harvesters and 400 wheat sowing machines." [Text] [Beijing XINHUA in English 0859 GMT 3 Jan 87 OW] /6662

BEIJING IMPROVED FISH SUPPLY--Beijing, January 3 (XINHUA)--Complaints about shortage of fish supply is dying out in the Chinese capital as the city organized a record 20,500 tons of fish for the market in the past year. Most of the fish came from the city's outskirts, a city official said. Thanks to the city's encouragement policies, including tax concessions and lifting of price control, the suburban peasants dug more than 6,000 hectares of fish ponds and fish output increased at an annual rate of 5,000 tons over the past three years. Fresh fish now account for 40 percent of the city's total fish consumption as against only 10 percent a few years ago. The city used to depend on the state for subsidies to buy fish from other cities and provinces. Suburban peasants raised little fish, making it very difficult for the residents to have fish on their dinner tables. The city began to tackle the problem in real earnest from 1984. As a result, fish output last year quadrupled that of 1983 and the residents may have fish all year round if they want, the official said. [Text] [Beijing XINHUA in English 0652 GMT 3 Jan 87 OW] /6662

GUIZHOU: FAST-GROWING TREES--Guiyang, January 4 (XINHUA)--Guizhou is annually planting 530,000 to 750,000 hectares of China fir and other fast-growing trees during the current 7th Five-Year Plan period ending 1990, Wang Chaowen,

governor of this southwestern province, said today. From 1949 to 1981, Guizhou had planted 3,600,000 hectares of trees, but only 26 percent survived. To change this situation, Wang said, the province has since 1981 built 500 timber producing bases covering 330,000 hectares in 66 counties, with fast-growing trees as the main plants. According to a sample survey in 22 counties, 85 percent of these fast-growing trees have survived. They need five to 10 fewer years to become standing timber than other trees grown elsewhere, the governor said. To stimulate the peasants' enthusiasm for tree planting, Wang added, the provincial government has contracted out specific hills to peasants, and provided them with funds, technology, and services in other forms. [Text] [Beijing XINHUA in English 1140 GMT 4 Jan 87 OW] /6662

XIZANG 1986 GRAIN OUTPUT--Despite natural disasters in 1986, Xizang Region reaped a bumper agricultural harvest. Its gross output of grain exceeded 900 million jin, gross output of rapeseeds was 26 million jin, and output value increased by some 58 million yuan. After taking measures for using superior seeds, the region increased the output value by 33 million yuan. Some representatives attending the regional conference on popularizing agricultural technology said at the conference that such good achievements were the results of popularizing superior varieties and carrying out scientific farming. The area sown to superior seeds throughout the region in 1986 were 840,000 mu, which recorded an increase of 310,000 mu over 1985 and accounted for 26 percent of all areas sown to seeds. [Summary] [Lhasa Xizang Regional Service in Mandarin 0100 GMT 11 Jan 87 HK] /9274

GUIZHOU RURAL ECONOMIC DEVELOPMENT--At the end of last year, rural areas of Guizhou Province conducted a large-scale inspection into the situation of increasing income and getting rich. The results of this inspection proved that the mass discussion on increasing income and getting rich had promoted the development of township enterprises. Last year, the province's gross grain output recorded a relatively big increase over 1985, and the gross agricultural output value and the gross output value of township enterprises was some 20 percent more than in 1985. In the province, there are a large number of counties, districts, and townships where per capita output of grain increased by some 25 kg, and per capita income in cash by some 50 yuan. Last year, industrial regions appropriated 5 million yuan by way of funds for developing township enterprises in poor townships in remote and border areas so that 66 townships set up 90 enterprises and increased their output value by 20 million yuan. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 6 Jan 87 HK] /9274

NEI MONGGOL PASTORAL DEVELOPMENT--In 1986, the Nei Monggol Autonomous Region scored good achievements in developing grasslands despite the serious drought and flood disasters. The region grew more than 6.92 million mu of grasses in 1986, an increase of more than 2 million mu over 1985. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 Jan 87 SK] /9274

NEI MONGGOL PURCHASING TASKS--Markets in the rural and pastoral areas throughout the Nei Monggol Autonomous Region were brisk and flourishing in 1986. In the January-November period, supply and marketing cooperatives throughout the

region purchased farm and sideline products worth 749.18 million yuan, showing an increase of 15.9 percent over the same period of 1985 and overfulfilling the annual purchasing task 1 month ahead of schedule. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 Jan 87 SK] /9274

HAINAN PRICE RESTRICTION LIFTED--The Hainan Administrative Regional Government has recently issued a circular on readjusting the procurement and management of a number of agricultural products. The circular points out that the prices of pineapples, pepper, citronella oil, main sea products, vegetables, and agricultural products are not controlled from 1 January 1987. People and business units inside and outside the island are allowed to take part in the purchase and sale activities provided that they hold official business permits and pay taxes according to regulations. [Summary] [Haikou Hainan Island Service in Mandarin 1100 GMT 7 Jan 87 HK] /9274

HUNAN: PEASANTS BECOME WELL-OFF--A responsible comrade of the relevant provincial department recently disclosed to our reporter that about 460,000 rural households, or 2 million peasants in the province got rid of poverty and became well-off in 1986. Over the past year, the relevant departments in the province have changed the previous method of supporting the poor by merely granting funds to the method of supporting the poor by merely granting funds to the method of supporting the poor in a comprehensive way, namely, providing the poor households with funds, technology, materials, and talented people. So far, all the 16 poor areas in the province have built fishponds, piggeries, oxen and horse ranches, orchards, and nurseries. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 9 Jan 87 HK] /9274

HEILONGJIANG DAIRY CATTLE--Heilongjiang Province, China's leading dairy producer, raised 312,000 head of dairy cattle last year, up 24 percent over 1985 and five times the 1978 figure. To handle the larger herds, the province has also added 110 dairy products processing factories with a daily capacity of 500,000 gallons. [Excerpt] [Beijing XINHUA in English 1150 GMT 29 Jan 87 OW] /9274

MARKET CONTROL--Beijing, 3 February (XINHUA)--The Chinese government has taken new measures this year to ensure an abundant market supply and clamp down on illegal activities in the country's nearly 65,000 registered free markets. Free markets across the country have entered the new year with brighter prospects following last year's thriving business, estimated at more than 70 billion yuan (about US\$19 billion), according to the State Administration for Industry and Commerce. The state's flexible policies, relaxed control over prices and further reforms in rural areas are helping to spur farmers' enthusiasm in marketing their agricultural and sideline products in free markets. Urban residents purchase more than half their daily food and necessities there, reports today's CHINA DAILY. The administration has recently adopted new measures to maintain market order and prevent illegitimate practices in the "burgeoning trade." The measures include organizing transport and supply, publicizing market regulations and reinforcing quality and hygiene inspections. Meanwhile, the administration also provides market information to traders. "We want to strictly check counterfeit commodities and fake trademarks and guard against food poisoning, which has been found in many free markets," said Zou Keqiang, an official in the market department of the administration. [Text] [Beijing XINHUA in English 0226 GMT 3 Feb 87 OW] /12913

LIAONING GRAIN PROCUREMENT--As of 15 December, Liaoning Province had procured more than 3.2 million tons of grain in line with the contracts signed with farm households on the fixed quota of grain procurement and fulfilled its annual grain procurement plan by 70 percent. The daily volume of procurement reached more than 60,000 tons. To date 12 counties and districts throughout the province have completely honored their contracts on grain sales. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 18 Dec 86 SK] /12624

HUBEI 1986 LIVESTOCK PRODUCTION--Livestock production in Hubei Province has continuously and steadily developed for 4 consecutive years. The gross output value of livestock of the province in 1986 amounted to 3.1 billion yuan, an increase of 5.8 percent over 1985. The average number of live pigs raised by each peasant household increased from 3 head in 1983 to 4 head and the average number of poultry raised by each peasant household from 7 to 17. The number of cattle on hand increased by 121,000 head. The number of sheep on hand at the end of 1986 recorded an increase of 8.1 percent over 1985. The area of grass grown artificially amounted to 500,000 mu. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 2 Jan 87 HK] /12624

GANSU RURAL MARKET THRIVES--The rural market of Gansu Province has prospered this year. According to statistics, the total amount of commodities supplied by commercial departments to supply and marketing cooperatives in the first 10 months of this year reached 380 million yuan, an increase of 11 percent over the same period last year. The amount of sugar sold from January to October was some 6,000 tons, an increase of about 12 percent over the corresponding period last year. Sales of wine, beer, candy, milk powder, cakes, canned food, and other nonstaple food also increased by a wide margin. Sewing machine and television set sales also increased. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 16 Dec 86 NK] /12624

YUNNAN AGRICULTURAL MECHANIZATION--The area plowed by tractors and boat tractors of Yunnan Province in 1986 increased to some 6.1 million mu. This area was about 5.5 million mu for 4 consecutive years in the past. The amount of work done by the tractors, the amount of agricultural and sideline products processed, and the amount of income from work done by agricultural machines recorded a big increase over 1985. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 2 Jan 87 HK] /12624

CSO: 4006/369

POPULATION

BRIEFS

1987 FAMILY PLANNING GOALS--Beijing, January 1 (XINHUA)--The "fewer but healthier babies" policy will continue in 1987, says a new year message in the family planning page of today's HEALTH JOURNAL. The message reaffirms the projected target of limiting China's population to 1.2 billion at the turn of this century, adding that the economic development of a nation hinges on a proportionate growth of its population. Some 350 million people, who were born during a baby boom in the 70s, are reaching reproductive age in about a decade. "Any slackening of effort in the family planning campaign will adversely affect the modernization drive and attempts to improve the people's living standard," the message says. [Text] [Beijing XINHUA in English 0240 GMT 1 Jan 87 OW] /6662

CSO: 4020/116

CONSTRUCTION

RENMIN RIBAO URGES ECONOMY IN CONSTRUCTION

HK090845 Beijing RENMIN RIBAO in Chinese 7 Feb 87 p 2

[Article by Wang Jinhao 3769 6930 7711): "Failing to Practice Economy Where Economy Should Be Practiced Will Surely Lead to Failure to Use Something Where It Should Be Used"]

[Text] At present, on the one hand, there is a shortage of construction funds; on the other hand, serious losses and waste have been occurring in the use of construction funds. From a recent national work meeting of the construction bank, it is learned that huge amounts of money have been used to build sanatoriums and guest houses under various pretexts, and this has become a trend in all parts of the country. Last year, 12 central departments and a provincial institution of Liaoning built 14 new sanatoriums in Dalian City with a total of more than 3,800 beds. One ministry and its subordinate organs had six guest houses in Beijing, which could meet basic needs, but they still prepared to build four new ones with a total floor space twice as great as the existing ones, and this would cost 29 million yuan. In some localities, more and more guest houses and hotels were being built with more and more luxurious facilities. A grand hotel in Wuxi City has been in preparation for five years, with its standards being raised again and again, and the total investment has been raised from 9.6 million yuan to 69 million yuan.

Constructing more and better houses is in itself a good thing. So long as conditions exist, an appropriate number of sanatoriums and guest houses should be built in light of actual needs, and there is nothing blame-worthy in that. It is also reasonable to build some large-scale and high-standard hotels to meet the needs of the development of the tourist industry. The problem now is that some departments, units, and enterprises are competing with each other in spending money in an extravagant way on building luxurious houses without regard for the consequences of such a practice. This is completely inadvisable. For example, did the responsible people really consider how many people could really make use of so many sanatoriums and what the economic results of such construction projects would be?

An ancient saying that failing to practice economy where economy should be practiced will certainly lead to failure to use something where it [words indistinct]. If a household which is not financially sound does not use its limited financial resources in a well-planned, reasonable, and economical way, it will have too many financial difficulties to tackle when it really [words

indistinct] money. Now the central authorities are calling for carrying out the movement of increasing production and practicing economy and calling for opposing waste and extravagance. It is a pressing matter of the moment to reduce the investment in building nonproductive projects which will just cause waste and unreasonable high consumption.

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CSO: 4006/351

TRANSPORTATION

CHANG JIANG DELTA PORTS TO BUILD MORE BERTHS

OW121321 Beijing XINHUA in English 1241 GMT 12 Feb 87

[Text] Shanghai, 12 Feb (XINHUA)--China will build and expand 60 berths in the Yangtze River delta to handle 37 million tons of cargo a year.

During the 1986-90 period, the Chinese Government will invest 2.4 billion yuan (U.S. \$649 million) in an effort to cope with the delta's growing economy and foreign trade.

There are 10 major ports in the delta, China's most developed area, which are now capable of accommodating ships up to 10,000 dwt. The delta covers 32,000 square kilometers and includes the Shanghai municipality, China's leading manufacturing center, and part of Jiangsu and Zhejiang provinces. It has a population of 30 million and was opened to foreign trade two years ago.

Among the port facilities scheduled to be built is the Zhujiamen coal wharf in Shanghai, which will require an investment of 77 million yuan (U.S. \$20.8 million). The project will include a berth for unloading ships of 25,000 dwt and additional loading berths. When completed next year, the upgraded dock is expected to handle three million tons of coal annually.

Zhenjiang port, Jiangsu Province, which opened to foreign ships last year, will add 16 deep-water berths, and 6 berths capable of accommodating 10,000 dwt ships are being built at the Xinshengwei dock in Nanjing, capital of Jiangsu Province.

Su Peiji, an associate professor of the Shanghai Mercantile Marine Institute, said, "the delta's ports are located at the midpoint of China's coastline and are essential to the country's marine transport."

In 1986, these ports handled 200 million tons of cargo, about 40 percent of the country's total in river ports and on the coast. Of this, 40 million tons were products for import and export.

The delta ports serve not only the delta area, but also other parts of the country, including north China's Hebei Province and Sichuan Province in the southwest.

In 1984, a joint committee was formed by the authorities in the ports of Shanghai, Ningbo in Zhejiang, and Nantong and Zhangjiagang in Jaingsu to coordinate shipping. Liu Chengling, secretary-general of the committee, said, "one of our main tasks is to speed up freight transport from the Shanghai port."

"Shanghai port handled 125 million tons of freight last year, but its capacity lags behind China's fast-growing foreign trade, resulting in heavy congestion," according to Liu.

The committee has decided to solve the problem by loading and unloading more ships in Ningbo, Zhangjiagang and Nantong.

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CSO: 4020/114

TRANSPORTATION

PRC SETS UP AIR TRAFFIC CONTROL BUREAU

HK060701 Hong Kong MING PAO in Chinese 6 Feb 87 p 13

["Special" dispatch from Beijing: "China Sets Up Air Traffic Control Bureau; Air Force Turns Over Power of Control"]

[Text] China's State Air Traffic Control Bureau, which had been in preparation for a long time, was recently established officially. Guo Yunzhong, former deputy director of the Civil Aviation Administration of China, was appointed director of the Air Traffic Control Bureau.

Although China is streamlining its administrative structure, the establishment of a new bureau in charge of air traffic directly under the State Council shows its importance and urgency.

According to a senior official, the establishment of the Air Traffic Control Bureau is a step toward modernizing the country's air traffic management and toward meeting needs in the development of the civil aviation business. It is also a part of the structural reform of China's Civil Aviation.

From the 1950's, Mainland China's air traffic was under the control of the Air Force. With the development of civil aviation, the number of international civil aircraft entering and leaving the country increased. Air traffic was then controlled by different departments, with military aircraft being directed by the Air Force and Navy, civil aircraft by the Civil Aviation Administration, and industrial aircraft by the Ministry of Aviation Industry. Such separate management caused many problems. For example, if a Civil Aviation Department was to use an air lane under the control of the Air Force, the civil aircraft would have to delay its flight to give way to the military aircraft using the air lane and thus normal passenger transport would be affected; conversely, if a civil aircraft was using the air lane, the military training of the Air Force would be affected. In some cases, if a civil aircraft met an emergency and needed to change course, it still had to ask for approval from the authorities at many levels.

The Chinese Government long since decided to reform the civil aviation management system. In 1985, the department concerned sent an inspection team to visit and study the air traffic control systems in the United States, Britain, France, Japan, and Yugoslavia. These foreign governments all have special organs to independently direct air traffic with advanced equipment. The radar systems in these countries control the entire air space, and some

countries have set up secondary radar systems and use satellite communications and navigation technology.

There are now some 10,000 military and civil aircraft in mainland China. The Civil Aviation Administration's air control centers and airport control towers now control the air traffic at different altitudes. The means of air traffic control remain rather backward, and are in sharp contradiction to the advanced aviation technology of recent years.

In 1985, the total volume of cargo transport ranked 21st in the world; and the number of passengers was a mere 7.46 million--even smaller than the number of passengers using Hong Kong's Kai Tak Airport (more than 8 million).

In September 1985, China set up a state air Traffic Control Committee under the dual leadership of the State Council and the Central Military Commission, with Li Peng as its chairman. Members of the committee include senior officials from all departments concerned. The committee's task is to coordinate relations between the air traffic control authorities and various departments concerned. The Air Traffic Control Bureau is the executive organ of the committee, and its tasks are to divide jurisdiction over the country's air space between regional air traffic control authorities; formulate regulations for the country's air traffic control; and coordinate the work of aviation departments.

It is said that in the second half of this year, the Air Force will officially turn over air traffic control power to the new bureau. According to the plan, by the end of this century, two sets of radar systems and computer data processing systems will be installed to control the air traffic in the eastern and central parts of China, and corresponding modern communications equipment will also be adopted so as to change the present handicraft style of operation and to build a modern air traffic control system.

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CSO: 4006/351

MINERAL RESOURCES

MORE MINERAL RESERVES FOUND IN NEI MONGGOL

OW111820 Beijing XINHUA in English 1455 GMT 11 Jan 87

[Text] Hohhot, January 11 (XINHUA)--A mirabilite deposit with an estimated reserve of three billion tons has been verified in west Inner Mongolia Autonomous Region, according to the regional geological bureau.

Mirabilite, a monoclinic mineral formed in salt lakes, deposited by hot springs, or resulting from the action of volcanic gases on sea water, is used for making glass, dyestuff and pharmaceuticals.

Covering an area of 200 square kilometers on the outskirts of Baotou, one of China's iron and steel centers, the deposit is easy to mine, said a bureau official, and it will help ease the shortage of mirabilite in north China.

This was one of the major findings by the bureau last year, according to the official.

Other mineral reserves found during the year include a coalfield in Eren basin with prospective reserves of three billion tons, and six rare metals and two nonmetal deposits.

The bureau also verified an estimated three billion tons of coal reserves around a coal mine in northeast Inner Mongolia to bring the mine's total reserves to five billion tons.

Geologists have also reported discoveries of an additional reserve of 350,000 tons at a lead and zinc mine in Bairin Left Banner (County), east Inner Mongolia, and silver and cadmium deposits associated with lead and zinc reserves.

The official from the geological bureau said that a total of 150 million tons of coal reserves are now available for mining, the total peat reserves in the region has been added up to 104 million tons and bentonite reserves 160 million tons.

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END